

NEWS SUMMARY

GENERAL

Deaths mount as IRA reacts

Violent reaction from extremists to the setting up of the Northern Ireland Executive added three deaths to the toll in the province, including that of the 20th British soldier.

Bombs were placed outside the home of the Lord Chief Justice in commercial premises and were rocket attacks on two police stations. Most of the violence appeared to be IRA inspired.

Guardians David Roberts, 25, of the Welsh Guards, on Holywell, Flintshire, was killed by a remote-controlled mine when he was patrolling the outskirts of Crossmaglen, Co. Armagh. Back Page

Arabs' hijackumbo jet

KLM Royal Dutch Airlines jumbo jet carrying 271 passengers from Beirut to Tokyo was hijacked and forced to land at Amman. The hijackers identified themselves as "the organisation of nationalist Arab youth for the liberation of Palestine."

MP urges curbs in speedboats

Bill to control the use of speedboats may be introduced in the Commons by Mrs. Renee Short (Lab., N.E. Wolverhampton). She referred to the acquittal of a girl charged of malicious wounding and causing bodily harm after a speedboat she was driving hit a diver and said: "They can be driven without proper instruction and there is no protection for bathers."

Students plan ent strikes

ent strikes at more than 40 universities and colleges early next year were discussed at a conference in Margate of the National Union of Students. The union is planning a debate on a 3,000-word petition demanding improved conditions. Page 31

anaka selects is critic

Takeno Fukuda has been appointed Japan's new Finance Minister by Mr. Kakuei Tanaka, Prime Minister. Mr. Fukuda has been the main critic of the government's economic policies since the ruling Liberal Democratic Party's victory in 1972.

'Mousetrap' is 21

John Christie's thriller The Mousetrap became the first play in the world to be presented continuously in the same theatre for years. It opened at the Ambassador Theatre, London, on November 25, 1952.

randt for Paris

Chancellor Brandt of West Germany arrives in Paris to start the third Franco-German summit this year. His talks with President Pompidou could lead to a political co-operation in Europe. Page 7

ussia rally

USSR has given permission to the RAC and United Dominions Party for next year's World Cup rally to be routed through the Soviet Union.

gger things

sisters, aged 35 and 44, who to run a poodle parlour, training to operate six ton mechanical shovels at a plant near school near Chorley, Lancashire.

lefly

ly £25,000 Premium Bond was won by the Monmouth holder of Bond No. SYT 55. Winner Royal Sir Martin has been awarded a Royal warrant for his contributions to astronomy.

BUSINESS

Slowdown in grocery price rises

THE RATE of increase in the Financial Times Grocery Prices Index slowed in November to show a rise of 1.7 per cent. on October. The index has risen by more than 18 per cent. in the 12 months since the beginning of the Government freeze on prices. Page 33

PRESIDENT NIXON has banned Sunday petrol sales and restricted display lighting in an attempt to restrict America's energy consumption. Back Page

HOUSEWIVES believe that the main reason for rising prices is Britain's entry into the EEC, according to a survey carried out by The Grocer and the J. Walter Thompson Organisation. Page 6

WEST GERMANY is so concerned to keep down expenditure for the proposed European regional fund that Bonn may be willing to forgo all German claims on the fund, informed sources said. Page 7

EMPLOYEES at the Genoa headquarters of Shell Italiana go on strike to-day to try to save their jobs. They believe there is an agreement to sell control of the company to ENI, the state oil and energy corporation. Back Page

Industry seeks more news of oil exemptions

INDUSTRY, which this week will feel more of the impact of the 10 per cent. reduction in oil supplies, is urging the Government to give more information about exemption rights. Page 8

REPRESENTATIVES of some 400,000 local government white collar workers will this week put their case for consideration under the Pay Board's inquiry into pay relativities. Page 31

A CALL for a national one-day strike by dockers on December 3 has been made by the unofficial National Ports Shop Stewards Committee to support demands for 20 per cent. pay increases. Page 31

CONSUMER CONFIDENCE remained this month at October's low level. The survey, commissioned by the Financial Times, showed a drop, however, in the number of people who felt the time was a good one for buying consumer durables. Page 6

KEY PLANS to speed up the rate of mergers within the Co-operative Union are to go before the movement's policy-making committee this week. Page 6

STRENGTHENED marketing effort and the downward float of sterling have contributed to a 4.5 per cent. improvement in GEC export orders. Page 6

Union supports ambulancemen

OFFICIAL BACKING for the ambulancemen's pay dispute, which is affecting a third of the country's services, has come from the main union involved, the National Union of Public Employees. Page 31

MR. O. R. JESSEL, chairman of Jessel Securities, says the temporary restraint on dividend increases is "an excellent policy" for the company and for industry. Page 34 and Lex

JOSEPH LUCAS (Industries) believes major growth is to be found outside Britain and is promoting more strongly its expansion in Europe and North and South America. Page 34 and Lex

Bloodless Greek Army coup ousts Papadopoulos

BY OUR OWN CORRESPONDENT

ATHENS, Nov. 25.

The Greek armed forces to-day staged a bloodless pre-dawn coup which ousted President George Papadopoulos from power and replaced him with General Phaedon Gizikis, commander of the First Army.

A proclamation read over the radio and television networks made it clear that the new régime disapproved of the policy followed by Mr. Papadopoulos, the former artillery colonel who master-minded the Army seizure of power in April 1967.

It said the aim of the revolution had been to save the country from chaos and create conditions for a sound parliamentary democracy. But two referendums had failed to produce a workable constitution and the nation was again being dragged into an electoral adventure and faced new dangers.

No mention was made of the political inclinations of the new régime, but they seem to be pro-western.

On television to-night General Gizikis said he would perform his duties in a spirit of moderation and impartiality. The new Government would work to restore peace and the unity of the Greek people.

Observers were inclined to believe to-day's lightning coup was carried out by officers dissatisfied with the "personality cult" developed by Mr. Papadopoulos and the concentration of power in his hands which made him the sole arbiter of all future political developments.

Mr. Papadopoulos was also reported to have opposed the appointment of General Gizikis, 56, as chief of the armed forces last August. He appointed General

Demetrios Zagoraios, a friend and close associate, to the post. Mr. Adamantios Androuso-poulos, 56, a lawyer and former Finance Minister and Interior Minister under Mr. Papadopoulos, was sworn in as the new Prime Minister.

Mr. Androuso-poulos practised law for 12 years in the United States. The new Cabinet also includes two former Ministers who served under former Premier Constantine Karamanlis, three former Ministers of Mr. Papadopoulos, and one ambassador. The other nine are new to the political scene. The Ministry of Finance is among Ministries yet to be filled.

It was still not clear to-night who were the other officers behind General Gizikis, but the presence of Brigadier General Demetrios Ioannidis, chief of the military police at the coup ceremony, appeared to confirm reports he had a large say in matters.

Tanks

The tanks moved in at 0200 GMT and occupied key ministries, the radio and television station, and the telecommunications organisation. They also surrounded army headquarters in Athens.

A round-the-clock curfew was imposed on civilians and cars and telephone and other communications were cut both inside the

country and with the outside world. Communications were later restored and an announcement said curfew restrictions were temporary.

Athens airport was operating normally after being closed for more than three hours. Foreign newsmen were not censored, nor was incoming news.

By this evening nothing had been heard of the fate of Mr. Papadopoulos. According to one report he was under house arrest at his week-end villa, about 20 miles outside Athens. Veteran liberal politician Mr. Spyros Markezinis who was ousted as Premier was at his home, but refused to see reporters.

There were no policemen involved in to-day's take-over and there were few policemen on duty here to-day. It is believed the new régime disapproved of the police's inability to quell recent student-worker riots which resulted in the intervention of the army and which left 12 people dead and more than 200 wounded. The police have been dismissed.

Holiday flights leaving Britain or Greece to-day will probably be empty because of the coup, the Association of British Travel Agents said. Cosmos has cancelled to-day's flight and Global is understood to be diverting to Istanbul. Horizon is believed to be offering alternative holidays.

Editorial comment Page 14.

'Shadow' Cabinet to meet over Labour rows

BY RICHARD EVANS, LOBBY CORRESPONDENT

MR. HAROLD WILSON, Opposition Leader, has summoned the "shadow" Cabinet to an emergency meeting to-day in an attempt to heal the party split over union militancy which could wreck Labour's electoral prospects.

The bitter internal squabbling between Left and Right wings shows signs of getting out of hand as the miners' pay dispute comes to a head with Wednesday's meetings for arbitration of the Prime Minister and the NUM executive.

Moderate Labour MPs, led by Mr. Reg Prentice, have been highly critical of the attitude of the NUM and other unions, while the Leftwing is pressing hard for Labour to give unconditional support to militant unions opposing the Stage Three wage limits.

The conflict, which has been simmering between Left-wingers and moderates for months, has surfaced when Labour morale is low following the poor by-election performances and when there is a threat, however slight, of a snap general election being called over the miners' pay dispute.

Mr. Wilson will therefore urge his colleagues at this afternoon's meeting at the Commons, and through them the party's rank and file, to drop damaging internal squabbling in the run-up to an election and concentrate their attack on the Government's economic record and performance.

The row is particularly galling to Mr. Wilson as it comes at a time when the Government is in real economic difficulties, and

Labour should be receiving the electoral benefits of unpopular Conservative policies. Although Mr. Wilson will not seek to place blame for the latest outbreak of squabbling, Left-wingers are in no doubt that it was started by Mr. Prentice, "shadow" Employment Secretary, when he appealed last week for party moderates to stand up and place blame against the "ill-will" forms of union militancy.

But Mr. Prentice's supporters—he is a popular though unassuming figure in the Parliamentary Labour Party—claim he was only replying to a blistering attack on him by Mr. Hugh Scanlon. The engineering workers' president accused him at a private meeting with Labour MPs of giving "half-hearted" support to trade unions.

Mr. Prentice came under fire at the week-end directly from a number of Left-wing MPs including Mrs. Judith Hart and Mr. Eric Heffer and indirectly from Mr. Wedgwood Benn, who promised Labour's "full support" to the trade union movement "now under attack by the Government."

Speaking in Derbyshire on Saturday, Mr. Benn brought into the open the dissension within the Labour Party about the miners' attitude to Stage Three. His call for unequivocal support both for the miners and the AUEW in its struggle with the industrial Relations Court will place Mr. Wilson and the "shadow" Cabinet in a difficult position. So far, Mr. Wilson has said he supports the miners' pay claim but is against breaking the law.

Mr. Benn insisted that "the carry them out."

Labour Party will resolutely support the unions in their efforts. We shall support the miners because it is time the country woke up to the fact that we cannot live now without overtime."

Evidence that this view is not shared even by all trade union MPs came from a Labour backbencher, Mr. Ted Leadbitter, who said in his Hartlepool constituency that it should be made clear that no industrial dispute should have as its objective the bringing-down of the Government. That was the role of the electorate.

'Too aggressive'

Mrs. Hart, a member of Labour's national executive, claimed that Mr. Prentice could wreck Labour's election chances. "It is clearly time for a sharp word of warning. He has a right to put his case, but I suggest that he would serve the interests of the party rather more clearly if he did so with less aggressive public ostentation."

Mr. Eric Heffer, Left-wing MP for Liverpool, Walton, issued a statement yesterday calling on the Labour Party to unite around the programme adopted at the Blackpool party conference.

"The truth is that speeches of the kind made recently by Reg Prentice do damage to the Labour Party, and whether intended or not, effectively help the Tories," he said.

"If there are Labour politicians afraid to carry out these policies I suggest that instead of publicly attacking them, they should step aside and let those who believe in Labour's policies carry them out."

Israel agrees to Middle East peace talks 'in principle'

BY L. DANIEL

JERUSALEM, Nov. 25.

THE ISRAELI Government to-day implied acceptance of the proposal by Dr. Kissinger, the U.S. Secretary of State, for the start of a Middle East peace conference on December 15.

The Cabinet at its weekly meeting resolved in principle to respond to the proposal upon receipt of an official invitation from the United Nations. The Cabinet when Israel's official reply will be decided upon, according to a communiqué issued after the meeting.

The implied acceptance came despite a threatened deadlock in the Egyptian-Israeli negotiations on the implementation of the six-point ceasefire agreement. The issue was the "disengagement" of forces and return to the October 22 lines, or to be more precise the extent of the Israeli withdrawal at this stage.

Israel's chief negotiator, Gen. Abaron Yariv, and Egypt's Gen.

Mohammed Abdul Gamassy, refused to confirm formally, is not a withdrawal from the positions of the Egyptian Second and Third Armies on the east side of the Canal, but only a thinning out of the large forces in the northern and southern sectors, and withdrawal of tanks and other heavy equipment from the east bank.

This is considered essential here, since the Israeli withdrawal would mean lifting the siege on the Third Army, and if this were left with its armour intact on the east bank and free to receive unlimited fuel and ammunition, the Egyptians might again be in a position to launch a full-scale attack.

So far the Egyptians have apparently refused to entertain the idea of reductions in their strength on the east bank.

The fact that talks at Kilo Continued on back page

'Big Five' in talks to avoid recession

BY RUPERT CORNWELL

PARIS, Nov. 25.

FINANCE MINISTERS of the "Big Five" Western industrial nations were to-night winding up urgent talks on how to prevent the Western world falling into a vicious spiral of recession as the effects of the oil crisis intensify.

The main fear of the Ministers already stressed by the OECD here, is that countries which face balance of payments difficulties and falling exchange rates will impose deflationary policies or even let their exchange rates depreciate to gain an advantage over their neighbours.

But international monetary experts were warning to-night that such a course would be self-defeating, and only serve to make the slowdown more painful as trade slumped and economic growth slumped.

However, international agreement to do this—and the temptation is felt to be considerable for countries like Britain—might cushion the worst effects, and this is what the Ministers will have been seeking.

The private talks, shrouded in almost complete secrecy, have been held in the Chateau d'Artigny in the Loire Valley some 150 miles from Paris.

No statement has been issued since the Five gathered yesterday afternoon apart from a brief announcement from the French Finance Minister that there was a meeting "somewhere" in France, of the Finance Ministers of France, Germany, the U.K., the U.S. and the deputy Finance Minister of Japan.

The discussions are clearly dominated by the growing menace on the oil front, which has only amplified the extent of the world inflation problem and the existing difficulties over agreeing on international monetary reform.

Limit

No precise time limit has been announced, but the gathering must end to-morrow morning at the latest, since M. Giscard d'Estaing of France and Herr Helmut Schmidt of West Germany, are due back in Paris for the start of the Franco-German summit meeting.

The talks are informal, and each Minister is accompanied by only one or two senior officials. Such meetings of the "Group of Five" have already taken place twice before—at Washington, before the Committee of Twenty ministerial meeting, and on the eve of the IMF annual meeting in Nairobi two months later.

Apart from the problem of whether to downgrade the fight against inflation in the list of economic priorities, in the face of the need for policies to maintain economic activity as far as possible, the other main topic was international monetary reform.

Coal stocks threat to steel, power

BY HAROLD BOLTER AND CHRISTOPHER LORENZ

U.K. STEEL production, already too low to meet demands, could be cut back within two weeks because of the miners' overtime ban. This became clear last night as the electricity industry revealed that its coal stocks are also coming under pressure as deliveries fall away.

These are the first real signs that the action by the miners is beginning to have an effect on the major user industries.

The British Steel Corporation is already having to reduce coke oven plant operations at some works to conserve coal stocks, and the Central Electricity Generating Board anticipates a 30 per cent. shortfall in coal deliveries this week.

So far there has been no reduction in iron and steel production by the BSC. But this could start to happen early next month.

Priority

Steel is already in short supply, and the industry is pressing for priority allocations of oil because it fears that any shortage would force it to reduce output at a time when user industries are looking for expansion rather than contraction.

Although BSC still has "reasonable" stocks of coal and coke, it is cutting back production from coke ovens at some works marginally as a precaution.

One of the areas where steel production is in danger is Teesside, where a large part of BSC's bulk steel production is concentrated, including some of the steels used in the construction and engineering industries which are in shortest supply.

Coal supplies to BSC works on Teesside have been reduced by up to 30 per cent. over the last two weeks as a result of the miners' overtime ban.

The Teesside steel industry uses 40,000 tons of coal a week, and it is understood that contingency plans are now being prepared for a possible run-down of steel production.

One problem is that coke ovens cannot be allowed to get cold or damage takes place which takes time to repair. BSC dare not risk letting stocks run down too far before it starts to reduce coke oven operations as a precaution.

Coal supplies to the CEBG could be 30 per cent. below normal this week because of the miners' overtime ban, the Board estimates.

Last week's deliveries were 25 per cent. down on the usual winter level of 1.4m. tons a week, following a 20 per cent. shortfall in the first week of the miners' action.

The cut in deliveries is putting pressure on CEBG coal stocks, although the effect has been partially mitigated by the Government's restrictions on the use of heating and lighting, which have reduced demand for electricity.

The most recent official figure for coal stocks at power stations in England and Wales was 16.8m. tons, or about ten weeks' normal consumption. Taking coal and oil together, stocks of fossil fuel were 17.5m. tons of coal equivalent, sufficient for eight and a-half weeks.

This situation was little worse than that of a week earlier, indicating that mild weather and the Government curbs were having a marked effect.

More recent figures, reporting yesterday's position, will be available in a few days, and these could show a deterioration in view of the growing delivery shortfall and the spoil of cold weather last week.

A further factor is that CEBG stocks normally start to fall at this time of year since its average winter coal burn is 1.6m. tons a week, or 200,000 tons more than deliveries.

Following the CEBG decision to burn over 20 per cent. less oil this winter than last year—partly because of rising oil prices, but also because of the expected reduction in supplies from the Middle East—it is now understood that the Board had hoped to burn 70-75m. tons of coal during the current financial year.

This compares with last year's burn of 88m. tons, and the 65-67m. forecast for 1973-74 after the Government agreed to subsidise the price of coal early this year.

APEX claims breakthrough

By Our Labour Correspondent

THE ASSOCIATION of Professional Executives, Clerical, Computer Staff (APEX) has won sole bargaining rights for staff employed by the Hodge Group and claims to have recruited over 500 of the 1,900 total already.

This, together with a ballot being conducted among members of the 600-strong Britannic Assurance Company staff association on whether to merge with APEX, is described by the union as the start of a "major breakthrough into the finance and insurance field."

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Letters to the Editor

BRACKEN HOUSE, CANNON STREET, LONDON, EC4P 4BY

Overheating and VAT • Farm-owning of the future

Sir—Has the economy really taken a sudden turn for the worse? Or are we just suffering from a simple but deplorable miscalculation of the nation's cash flow on the part of some official who is still blushing for the little folly which led to the draconian measures of a week or so ago? One suspects, indeed, that it is the latter, and while it has been gratifying to find some authoritative support for this view, the lack of general publicity for it is very disturbing.

Briefly, it is suggested that someone left a rising tide of VAT collections swelling around the merry month of May and the ultimate day of reckoning, October 1—£600-700m. no less.

The sum is easily done, but did not, it is roughly as follows. As the U.K. added value for VAT purposes is the national wage and salary bill—in excess of £40,000m. About 25 per cent. of this is associated with exports, and another 20 per cent. with food, both of which are VAT-exempt. With an allowance for other exemptions, there is left a tax base of £20,000m., yielding £2,000m. at 10 per cent. Invoicing of the tax to customs began in April, and allowing for normal credit terms, the tax-shed would have begun flowing into company tills from June onwards.

None of this, however, became payable to the Exchequer before April 1; and the largest portion—five months' collection by manufacturing industry up to the end of August—was not due for payment before October 1. On average, therefore, something like one-third of the annual tax yield—£600-700m.—had been collected and was waiting to be paid over by the end of August.

Of course, it was not waiting at all. No one in his right mind keeps idle cash these days—he spends it, or lends it to someone else who spends it. The sequence of events is easily imagined—a cash bonanza in June, purchases of raw materials in July, deliveries (with luck) in August and, with normal allowance for credit, payment in October, or even earlier. Small wonder that, as commented in your recent leader, bank lending was increased by £1,000m. between mid-September and mid-October. However one looks at it, the bulk of the lending must have been directly or indirectly required to finance the payment of the nation's VAT bill to the Exchequer.

Even smaller wonder that we had a massive adverse trade balance in October, for again it needs little analytical ability to reach the broad but reasonable conclusion that, with the stock shortages and long order books typical of recent months, the

only way to spend an extra £600-700m. would be on imports or by frustrating exports, with the consequence of increasing U.K. domestic consumption by 3 to 3.5 per cent. over four short months. Of course, someone will doubtless be tempted to say that the Treasury did anticipate the situation and progressively dripped bills out of the tap, all beautifully synchronised for redemption on October 1; but nothing less than hard and comparative figures of issues and redemptions is likely to be convincing.

In any event, it would still leave unexplained that coincidental £1,000m. increase in bank lending. The only other probability is that the Government deliberately left the VAT cash in circulation in order to keep the boom going; but, even if true, who will have the courage to admit to doing that at a time when the problem was seen as how to stop a consumer-led boom becoming overheated, and at the same time change its nature to one of investment?

V. Olsen
Bramblewood, Cotleigh Walk,
Wadhurst, Sussex.

Peruvian claims

Sir—In the November 19 issue of your newspaper there is an article signed by Mr. Robert Morrison, Secretary of the "Peruvian Claims Committee."

It is not honest to employ the word "confiscation" in the case of the Peruvian Corporation, nor is traditional British fair play evident when so many aspects of this matter are misrepresented to such effect that some readers of your newspaper, unaware of the background of this matter, could gather a completely wrong impression.

Mr. Morrison does not say, for example, that the difficulties of the Peruvian Corporation had reached such a point that it had lost its capital. Many factors—too many to enumerate—brought this about, but among these was natural competition from the roads which were started to open up in Peru. Between 1962 and 1966 the Peruvian Corporation found itself obliged to turn to international banks to obtain loans amounting to over \$18m. while the Peruvian Government endorsed the loans bearing in mind that this was a public service company in which several thousand Peruvian workers were employed. In 1967, however, the Peruvian Corporation found itself unable to comply with its financial undertakings, as its guarantor, the Peruvian Govern-

ment was obliged to effect payment amounting to almost \$10m.

This was not an untimely process, as Mr. Morrison affirms: many times the Peruvian Government claimed payment of what was owed until, in April 1971, in accordance with strict legal procedure, the embargo, which was later transformed into an announcement of public auction, appeared in the September 29, 1972, edition of the Financial Times; the auction took place under full legal guarantees, on November 30, 1972.

It is not fair to blame the Peruvian Government for having been the only bidder: the auction, I repeat, was open to all, whether national or foreign, and if there was no interest, the only thing this shows is that the business was not an attractive one, not even to the Peruvian Corporation itself who, right up to the last minute, could have stepped the legal action simply by paying what it owed.

It is no secret that railways

in many cases are no longer good business, and if the Peruvian Government had to take over those of the Peruvian Corporation, it was so obliged by the circumstances, as I have already said, of these being a public service and the fact that almost five thousand workers and their families would have been left without work and social benefits which the Peruvian Corporation had not insured.

It is not my intention, Mr. Editor, to start an argument on this matter which is well known. I could not remain silent in the face of Mr. Morrison's inaccuracies as these could create a wrong impression among your readers. Adhemar Montagne,
Peruvian Ambassador,
52, Sloane Street, S.W.1.

Idle grain terminal

Sir—Mr. Harold Wilson, speaking in his constituency on Friday last, urged Mr. Heath to have direct talks with the miners.

It is not time that he, and

Farmers—you cannot afford to die

Sir—Never has the nationalisation of agricultural land been more imminent than it is to-day: that the pressure for such legislation will come from the farming community itself is ironical enough, but that the matter is still considered to be only political in nature rather than a question of economic survival is positively alarming. Yet at the same time, and yet only three short years ago it was barely viable as a farming unit.

As the time-apportioned method of assessing capital gains takes through, the cost of giving this unassuming business to the state is going to become near to £70,000 and/or the estate duty liability, even with Agricultural relief, will amount to about the same in due course. Even allowing for borrowed working capital, either nearly one-quarter of the farm must be sold or further borrowing to pay off the tax will result in rental equivalent of about £30 an acre; either way the business, as such, will be crippled. Continuing fragmentation, forced upon the industry by taxes on wealth, will act contrary to the economic realities of even modest farms, quite apart from the declared policies of successive British Governments and the EEC, and will ultimately lead to a peasant industry yet again.

The tenant-farmer is in a considerably better position; not

only does he lack the wealth to expose himself to fiscal attack, but security of tenure, often by the Labour Government and by Scotland, passes to a competent heir. The fashionable expectation that the "institutions" will helpfully stand in as landlords of the National Farm in the course of a generation is a wishful thinking; their much publicised entry into the market at the end of 1972 was no more than a mutual scramble so as not to be left out of the rise, and to incorporate a small percentage of land in their large investment portfolios. Much, if not all, of this buying is completed, and the agricultural industry is now frighteningly exposed to a fall in profitability based on an unprecedented high level of land prices.

Who then are to be the landowners of the future National Farm? Owner-occupiers of small peasant holdings if nothing is done, or wholesale nationalisation by the Government of the day in a desperate attempt to re-structure the industry too late, would seem to be the only alternatives. There is, however, another, if only the medieval method of owning land by virtue of a title deed could be abandoned.

Suppose an owner-occupier could exchange his whole title

Management and advisers

Sir—In your excellent survey on "Farm Management" on November 13 John Cherrington commented that farm managers sometimes resent the presence of farming advisers interposed between themselves and their employers. He pointed out why this attitude was usually unjustified, but I would like to mention three important points which he did not really cover.

Firstly, farming advisers are skilled in taking the widest view of this complex business of farming, and in the long-term planning involved. This is a vital role for which few farm managers have either the time or the qualifications.

Secondly, farming advisers

who are from a firm have the advantage of being able to call on an expertise within their firm covering all aspects of the property world, ranging from forestry as an investment to the duty planning. Few farm managers can provide this.

Thirdly, a landowner to-day must run his estate or farm as a business, and for this he needs the help of a team, including his accountant, his farming adviser and his farming manager. Each has a part to play, and their roles need not, and indeed should not, conflict.

R. Fitzherbert-Brookholes,
Strutt and Parker,
41, Milford Street,
Salisbury, Wilt.

deed for a number of share certificates, that could be sold in a recognised market such as the London Stock Exchange, while at the same time retaining in possession as a tenant: suppose a number adopted the same procedure, and pooled the rents in proportion to their shares.

It follows that the farmer can sell just so many of his freehold shares as he may wish from time to time to meet estate duty, a daughter's dowry or fund an improvement without reducing the physical size of the farm or borrowing expensive money.

All that is needed is an Agricultural Equity Corporation to be managed alongside the existing Agricultural Mortgage Corporation. The new owners of the National Farm will continue to be the farmers themselves, and those investors who choose to buy in the shares being sold by the farmers to raise capital.

As Professor J. S. G. Wilson writes in "Availability of Capital and Credit to U.K. Agriculture," the major weakness of the scheme is its dependence on a wide range of tax concessions, and yet such concessions are only those necessary to give equality to a shareholder in the corporation vis-à-vis the direct holder of an agricultural freehold. No-one can

usually looking about as far ahead as to-morrow tea-time. Every utterance on fuel and other resources for the last month has been a variation on two themes—"Don't worry, it's only a temporary disturbance" or "Anyway, we shall have our own oil soon." There has been not a thought made public that the Arabs have realised their oil is not infinite it's time we started a long-term plan based on that fact.

As for our own oil not being infinite, far from leaving it where it is until we really must have it because there is none to be had elsewhere, we scramble ever harder to get it out as presumably it is gone for ever, as quickly as possible.

By a happy coincidence, a major test of the Government's real attitude was written about the same time as Joe Rogaly's article by Chris Baur—Drumbeat. If we are to make the slightest effort to conserve our resources, then a really controversial proposal like Drumbeat will be thrown out. If it is not only the Government's concern for the environment but shown as the Government's concern over resources. They will take a long-term rethink, but is as

major step, in principle, to

surely object to an administrative organisation such as this retaining its existing rights and status in order to survive into the next century.

The real objection is not that the individual gains, but that the Corporation would have to have tax concessions as against other corporate bodies: this is certainly so, but not so unusual for an industry which has an entire Ministry to itself as it is recognised that agriculture, of its very nature, must have different rules to the manufacturing, service or distributive industries. It seems unlikely that the CBI would complain.

The general investing public can always participate in the Corporation, and will be welcome to do so. Who, then, are the politicians so concerned to protect? Possibly they do not even know, but there is so often an instinctive reaction against any form of concession for fear that someone unknown is going to make a "killing." Nevertheless, it is the farming community who must press for a flexible and corporate method of holding farmland; for mark the signs "Farmer—you cannot afford to die."

Christopher Parker,
The Grove,
Whitlifford, Cambridge.

destroy the one specifically that they can speed disposal of the other.

John Morris,
"Owlhouse",
36, Bracton Avenue,
Salford, Warrington.

Software house sizes

Sir—Mr. P. M. Hunt's October 30 misses the main point. The two or three largest companies in the world whose main business is software writing are usually small companies, and/or by project in size, less than 100. There are about half-a-dozen in Britain with 200 staff.

It is therefore impossible that a turnover of £12m. in software writing is a figure for service companies have managed or chosen to achieve. Certainly it is "peanuts" for an insurance company or mining company in this country, who might wish to contract such key items as designing, producing a complete system or a turnkey system, or a factory—and the Financial Times is to be congratulated in making it easier for some of these large companies to be increasingly prepared to put up with the requirements of the land systems and software companies who are independent of any manufacturers of computers and related equipment despite the apparent difference in size.

Mr. Hunt's contention that "more of a minimum size if it is to be entrusted with the management of multi-million pound projects." Established competence in a particular field is to be the guiding factor in the selection of a contractor. It is relevant, I can think of four or five instances in my experience where companies with computer consultancy of less than 50 staff managed and provided key services for million pound projects on a contract basis.

I have personally witnessed the loss of motivation and identity in companies that grow through the 60-80 staff and again at 150 staff. The problem is not unique to the computer services but is one of the challenges of growth. It is interesting to see that some of the choices or has to exceed 50.

So far we have found that a figure of 50-80 gives us the best of both worlds.

Peter T. Goldsmith,
Chief Executive,
Applied Computer Sciences,
Marlow House,
296, Regent Street, W.1.

TV/Radio

Re-think urged on Concorde

THE CONCORDE project should be reconsidered in view of the oil crisis, a Conservative MP said yesterday. Mr. John Biffen, MP for Oswestry, said fuel consumption per seat mile was three times as high as for subsonic jets.

He told Young Conservatives at Llandudno: "The present debate on our economy and the need to balance the domestic budget, together with the great concern over the future reliability and cost of fuel oil supplies, cry aloud for Concorde to be reconsidered with the same cool sense of economists we should apply in our own personal housekeeping."

BBC 1

† Indicates programmes in black and white

9.30 a.m. For Schools, Colleges.
12.30 p.m. The Sunday Debate: Protest and Law. 12.55 News. 1.00 Probable Mill at One. 1.45 Finger-bobs. 12.02 For Schools, Colleges.
3.00 Treating Space. 3.30 That Monday Morning Feeling. The Lorry Driver. 4.00 Play School.
4.25 Yogi Bear. 4.35 Jackanory. 4.50 Peter. 5.15 The Terra-cotta Horse. 5.40 The Wombles.
5.45 News.
6.00 Nationwide. 6.40 Sykes. 7.10 Z Cars. 8.00 Panorama. 8.50 Natural Break. 9.00 News at 10. 9.30 News. 9.35 Last of the Summer Wine. 9.55 "Barbarella" starring Jane Fonda.

11.30 Late Night News

11.35 Television and Society

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. Ar Lin Mam. 6.00-6.40 Wales To-day. 6.45-7.10 Heddiu. 11.02 a.m. News of Wales.
Scotland—6.00-6.40 p.m. Report on Scotland. 11.02 a.m. Scottish News Headlines.
Northern Ireland—6.00-6.40 p.m. Scene Around Six. 11.02 a.m. Northern Ireland News Headlines.
England—(6.00-6.40 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight West (from Plymouth). 11.02 a.m. Regional News Headlines.

4.25 Clapperboard. 4.50 Robert's

Robots. 5.20 Lollipop.

5.50 News from ITN

6.00 To-day

6.40 Opportunity Knocks

7.30 Coronation Street

8.00 World in Action

8.30 Tell Tarby

9.00 Six Days of Justice

10.00 News at Ten

10.30 Drive-In

11.00 The Streets of San Francisco

12.00 The Shape of Things to Come: Dr. Christopher Evans talks to Brian Aldiss, author of "Billion Year Spree", the history of Science Fiction

All ITV Regions as London except at the following times:—

ANGLIA
2.30 a.m. Newsnight. 4.30 About Anglia. 11.30 Gardening Diary. 11.50 Man in a Suitcase. 11.55 Drive-In. 12.30 a.m. Fat a Work.

ATV MIDLANDS
6.00 a.m. ATV To-day. 10.30 Children's Television. 11.30 Man in a Suitcase. Gordon Bailey. 12.00 Man in a Suitcase.

BORDER
1.00 a.m. Newsnight. 4.30 Border News and Lookaround. 6.30 Lord of the Talkies—Ken Dodd and Derek Sney. 10.30 The Border News. The Adventurer. 11.22 a.m. Border News Summary.

CHANNEL
12.25 a.m. Channel Lunchtime News. 12.30 Let's Face It. 2.30 Women To-day. 3.30 News. 11.30 Night Gossip. 11.35 News and Weather in French followed by Channel Classics.

GRAMPIAN
6.00 a.m. Gramplan News. 6.05 The Royal Gramplan. 11.35 Mediation.

GRANADA

6.00 a.m. Granada Reports. 6.30 This is Your Right. 7.30 The Secret of Blood Island. 11.35 The Big Break. 11.55 Gardening To-day. 12.30 a.m. Billy Liar.

HITV
2.30 a.m. Fit to Last. 6.00 Report West. 6.22 Report Wales. 10.30 Police Report. 11.02 a.m. News. 11.30 The Secret of Blood Island. 11.35 The Big Break. 11.55 Gardening To-day. 12.30 a.m. Billy Liar.

SCOTTISH
2.00 a.m. Play with a Purpose. 2.30 Newsnight. 4.30 The New Adventures of Batman. 6.30 News. 11.30 The Picture. 11.35 The Big Break. 11.55 Gardening To-day. 12.30 a.m. Billy Liar.

SOUTHERN
2.30 a.m. Newsnight. 6.00 Day by Day. 10.30 Beating the Bombers. 11.35 South News Extra. 12.05 a.m. Farm Progress.

TYNE TEES
2.30 a.m. Newsnight. 6.00 Day by Day. 10.30 Beating the Bombers. 11.35 South News Extra. 12.05 a.m. Farm Progress.

ULSTER
12.25 a.m. Ulster News Headlines. 2.30 Newsnight. 4.30 The New Adventures of Batman. 6.30 News. 11.30 The Picture. 11.35 The Big Break. 11.55 Gardening To-day. 12.30 a.m. Billy Liar.

WESTWARD
12.25 a.m. Go Home to the Birthdays. 12.30 Westward News Headlines. 2.30 News. 11.30 The Picture. 11.35 The Big Break. 11.55 Gardening To-day. 12.30 a.m. Billy Liar.

YORKSHIRE
6.00 a.m. Calendar. 10.30 Emmerdale Farm. 11.35 Calendar Commentary. 11.55 Department 5.

Racing

King Kong's the one

by DOMINIC WIGAN

RICHARD HEAD, the Lambourn trainer, saddles three horses this afternoon at Windsor: King Kong, King Flame and King Commander, all for different owners.

King Kong, who has won at Windsor twice, on both occasions over two miles, goes for the Round Oak handicap chase (3.30), nine over two miles and five furlongs. In his only race

chase (3.0) with King Commander. This talented five-year-old caused something of a surprise when easily accounting for Egbert and Rutley in a fast time at Kempton recently and he is a reasonably confident choice to do with these rivals, the best of which is probably Dartel.

The most valuable race to-day is at Wolverhampton—the Royal Hunt Cup (4.00), a handicap chase (3.30), nine over two miles and five furlongs. It is one of the better of the True Song and Silver Meteor, who ran a good race to be third to Shy Spirit and Plasfolyn at Leicester in January. He has, however, not run since, and is unlikely to get the better of True Song.

True Song failed to win on any of his eight appearances in the 1972-73 campaign, although he was a close fifth in the hotly contested Daily Express Triumph Handicap. He has, however, been giving his supporters a success story in the past seven weeks.

Half an hour later, Shock Result will be trying to supplement his recent Lingfield success by taking the Wootton Bassett chase (2.15), but here he may not cope with the popular veteran, Head Lad.

WOLVERHAMPTON
12.45—Côte d'Azur
1.45—True Song
2.15—Head Lad
3.15—Dartel

this season, King Kong won narrowly but cleverly here 16 days ago, defeating Beechwalk in a nationally slower time than Rutley achieved against Real Sharp later in the afternoon.

I do not expect King Kong, who was formerly trained by Peter Cazalet, to be troubled by to-day's distance, and he is narrowly preferred to another Windsor specialist, Heath Song.

An hour later, the seven-year-old King Flame runs in Division 1 of the Royal Borough novices chase (3.30). Lord Head's bay gelding had a disappointing campaign last season, when he failed to win any of his five races, and I shall be surprised if he is able to cope with either Canasta Lad or Current Romance.

The former top-class hurdler, Canasta Lad, slipped up on his chasing debut when disputing the lead with Spy Net in the Hovebury chase at Cheltenham early this month, but has since made amends by outpacing the highly-rated Ruisseau at Wincanton 10 days ago.

Current Romance has also had one victory over fences. In a competitive race at Nottingham a fortnight ago, he quailed to go into the lead after the last fence, but then had to be ridden out to hold the late challenge of Churchlands, to whom he was giving 3lb. In an interesting contest, Canasta Lad ought to justify favoritism by beating Current Romance and King Flame.

Even if King Kong and King Flame fail, their rider, John Francome, should win Division II of the Royal Borough novices

Events

To-day

PARLIAMENTARY BUSINESS—

House of Commons: Fuel and Transport. Bill, second reading. Motion on the Statute of Westminster. Rules for Control of EEC and other non-Commonwealth Nations.

A list of to-day's company meetings can be found in the week's Financial Times on Page 4.

LONDON SCHOOL

POLICY SWITCH

A shift in policy by the London Education Authority will result in more, but smaller, comprehensive schools by 1980.

If the policy is accepted at meeting of the authority's development sub-committee on Wednesday, it will mean that by 1980 the population of comprehensive schools in North London will be 900 or under, and these are likely to be schools originally designed for 1,500 or 2,000.

BILL PROPOSES

PRIVATE COSTS

Mr. Richard Luce, (Conservative and Shoreham) is to propose in a private member's bill that people successfully suing civil courts should obtain compensation for their legal costs, including compensation for loss of earnings and other expenses.

The Bill already has all-party support, and I hope the Government will lend its support, said Mr. Luce.

HEALTH SERVICE

DRIVE 'FAILURE'

Re-organisation of the National Health Service had failed, Mr. John Silkin, Opposition spokesman on health, told the Socialist Medical Association in London yesterday.

He criticised Sir Keith Joseph, Secretary for Health and Social Services, for an attack on priorities in the use of health service resources. It was the politicians' job to be the arbiter, said Mr. Silkin.

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APOLLO

Edited by Denys Sutton

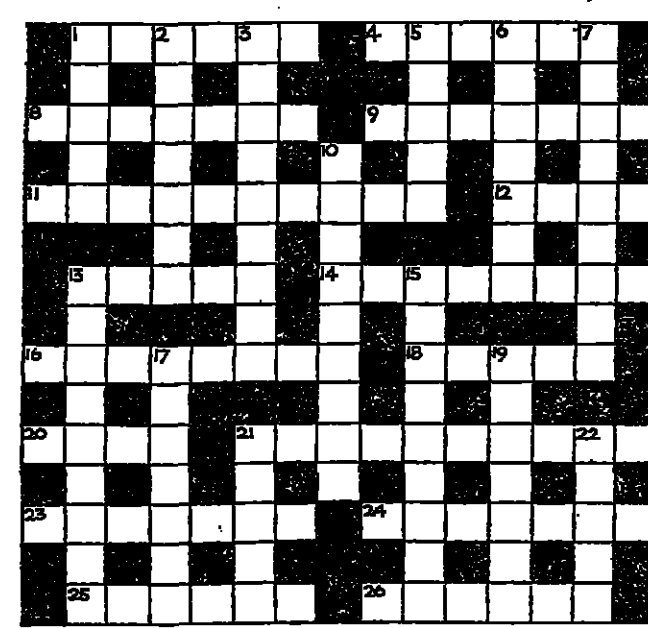
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F.T. CROSSWORD PUZZLE No. 2,335



- ACROSS
- Jewel in one heavenly sign (6)
 - Bad writing in slow motion from the south (6)
 - Sea-shore with special individual raccoons (7)
 - Division in east of Hair (7)
 - Put up with a role said to be in a class of its own (5, 5)
 - Blow on part of shirt that comes to hand (4)
 - Open stamp with authority (5)
 - Anchor about point and make rise dish (8)
 - Want very much to finish in position behind keeper (4, 3)
 - Went about feeling depressed by personal transport (6)
 - Protective clothing delivered by postman (4)
 - When jockeys are on the level it's time to seek accommodation (4, 6)
 - Wonder if motorway goes right to Norfolk town (7)
 - Champion ringmaster at match (4, 3)
 - Spice to fool Margaret (6)
- DOWN
- Swindling is hard work (5)
 - Object of devotion no admiral could produce (7)
 - Game to go on course (9)
 - Free-wheel down to the sea-side (5)
 - Our man at the embassy is quite a case (7)
 - Course feast is leading the runners (9)
 - Sailor taking fish couldn't eat a fat lot (4, 5)
 - Share offer for which Cork is renowned (9)
 - Mother has a location in which to decorate metal (9)
 - Man of fashion likely to annoy hill dweller (7)
 - Quiet one with stamina is dressing (7)
 - Artificial merger of football rulers with London School of Economics (5)
 - Exhilarated or in a whirl (2, 3)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

JPKial's

Festival Hall

St. John's, Smith Square

Schwarzkopf King Olaf

by MAX LOPPERT

by DIANA McVEAGH

Few indeed are the singers of today who can summon so loving a Festival Hall throng as Elisabeth Schwarzkopf did on Saturday evening. From the outlighted entrances amid jars to the string of encores demanded at the finish, there was no doubt that a star was present; and, because of the way she commands the platform, Miss Schwarzkopf is still every inch a star. She looks superb; she sings superbly; she controls the face of each song with a range of facial, verbal, physical, and musical inflections that speaks a mastery of intelligence and towards audiences capable with a strategy and the cool calculation of a great general. Yet from the purely musical point of view, I am bound to say the recital gave me very little pleasure. All the management and the intelligence in the orchestra cannot wholly disguise the recent frailty of Miss Schwarzkopf's vocal resources. While the songs themselves—by Schubert, Hummel, Mahler, Liszt, Strauss, and Wolf—have been carefully chosen to highlight those vocal areas in the voice which still "speak" with tonal beauty, one cannot help the feeling that this is singing for the pure pleasure

of it. A lieder recital which falls to convey this feeling becomes a somewhat debilitating affair. In the first half, it was the single song by Grieg—the gentle, reflective, surprisingly beautiful (to those of us sadly unfamiliar with his song output) *Mis er Wæsterrille*—that found the singer's most smoothly sustained line. Maybe, too, Schumann's *Der Nussbaum* earlier on—except that at that point the distortions of Miss Schwarzkopf's vowel-formation were still surprising and disturbing ear and phrase. A consummate Wolf interpreter, she seems at present to bring special sympathy to the two death songs, *Denk es, O Seele* and *Som der Schilten*. With four of the *Italienisches Liederbuch* (not to mention those given as encores) to end the recital, dashing wit and flashing smiles were at last matched by the wit and flash of the voice. A whole paragraph could be devoted to the excellence of Geoffrey Parsons' accompaniments, to praising his taste, their supportive sensitivity, their quiet eloquence. The program book cost 25p; with notes and translations by William Mann and Walter Legge, worth every penny.

The revival of Elgar's Cantata *King Olaf* at St. John's, Smith Square, last week was even more exciting than that of his *Coronation* at Cheltenham recently. Which is not to say that they should be repertory pieces. But for years the question used to be posed: how was it that Elgar developed so suddenly from talent to genius, from the composer of dated and provincial cantatas into the composer of *Enigma* and *Gerontius*? There really is no problem. *King Olaf* is full of sounds and phrases and harmonies that are instantly recognisable, and would not come amiss in later works. The very opening strains, telling of wondrous tales, breathe the atmosphere of "Three Stars." There are grand, rolling passages suggesting the symphonies, and moods ranging from secret withdrawn dreams to

The Entertainment Guide is on Page 8

from secret withdrawn dreams to vitality, all thoroughly mature. The libretto is a hopeless mess, but just as Elgar must have chosen characters because it was set on his home ground, so there was surely a personal identification with *Olaf* through the original as Longfellow reveals it. The *Olaf* saga is one of the *Tales of a Wayside Inn* (a kind of American *Canterbury Tales*) and is told by the Norwegian musician who lived in the ideal world whose language is not speech, but song. That, together with Longfellow's being among his mother's favourite authors, would have been enough to kindle Elgar's imagination, and make him overlook the plot's absurdities.

What is remarkable is how often one is forced to think in operatic terms. Several scenes are so exquisitely set that one

looks for curtain-rises. There are musical gestures that demand a character's entrance. The solo writing at times calls for Italian rather than Midland voices. Even the demure finale, *Pavilion*, and the compact Mark Taper Forum—takes its name from a famous Californian family (the Chandlers)—chief contributors to the building of the Music Centre—own the Los Angeles Times, and much else).

While the Pavilion and the Ahmanson offer a sumptuous, if conventional, diet of opera, musical comedy, and Shakespeare, it's at the Mark Taper Forum that the most interesting work is being done. Under a brilliant young artistic director, Gordon Davidson, the Taper has given the West Coast world premieres of works by authors like Christopher Isherwood, Conor Cruise O'Brien, Father Daniel Berrigan, S.J., as well as a score of unknown, but tried young American writers.

Davidson's Centre Theatre Group has Rockefeller Foundation assistance, but it's also supported by a large, loyal suburban audience. Recently, the company gave a bold, month-long festival of ten new plays by local dramatists, male, female, black, white, some still in their twenties, called *The Works*. The subjects were as varied as the styles. Susan Miller's *Confessions of a Female Disorder* dealt with lesbianism.

Obviously the Cantata is inconsistent, with weak and banal stretches. But there are more reasons than pity for reviving it, and all artists must go to the conductor Leslie Head, his Kensington Symphony Orchestra and Choir, with the Westminster and Carshalton Choral Societies, and the Stoke-on-Trent Bedford Singers, with Guyanese Amateurs. Corp. and Nigel Wickens.

Festival Hall

Bournemouth Symphony

by RONALD CRICHTON

Royal performance of Palladium pantomime

For the first time there will be a special Royal Performance of the Palladium's pantomime. The Duchess of Kent will see Frankie Howard, Dora Bryan, Alfie Bass, Mark Wynter, Elizabeth Arden, and Leon Greene in *Jack and the Beanstalk* at a special Royal performance on December 20.

The performance is in aid of St. George's Hospital and Medical School Appeal Fund, which needs a further £2m. towards the cost of re-establishing St. George's Hospital and Medical School in South Wandsworth, London. Part of the money will be used to establish four chairs in important areas of medical research.

A pleasure to find a large audience for the Bournemouth Symphony Orchestra on Friday night—even the best provincial orchestras cannot always count on good support when they come to London. No doubt the crowds came to hear John Ogdon play Rakhmaninov, but they stayed after the interval to hear the new piano concerto written for him by Gerard Schurmann, described in the programme as "world premiere" though in fact on the two previous evenings at Portsmouth and the orchestra's home town had heard it from the same performers.

Schurmann describes his concerto as "an attempt to reconcile a contemporary idiom with a . . . solo piano part of virtuoso proportions." In the event the piano's scateri writing, seems of small notes, wide skips, martellato and furious markings, are outweighed by unashamedly pianistic writing with roots in Liszt and Bartok. The orchestra is normal, with double woodwind. The writing is fluent, un inhibited, often quite heavy in texture, though this did not seem to cause Ogdon much trouble. Like Roberto Gerhard, Schurmann can keep a straight-forward rhythm going for a long time without losing the bar-lines or resorting to metrical peculiarities.

Apart from the soloist's opening and mid-way cadenzas, which are unbarred, the first of the two movements, with some modifications of speed maintains an unbroken three-four throughout its length. There is strong enough impulse for this not to matter, with their gate force scoring and acid harmony, these pages are

agreeably bracing. The second movement is one of those carefully constructed sectional affairs designed to outwit the finale problem by pretending to be slow movement and scherzo as well. At a first hearing, the initial Lento appeared as little more than a necessary pause for breath after the previous pummelling.

The Presto that follows is prickly and swift, the final section reverting to earlier material (the movements are thematically interrelated) and brings back the mood of the orchestra's first entry. Neat enough, but by now one has begun to wonder if the material will bear the weight thrust upon it. Useful and workable phrases don't quite make up for the time that always, with this kind of piano writing, seems to be round the corner. Ogdon produced a wealth of warm, unclarity tone and sailed through the bravura. Paavo Berglund and the orchestra supported him with a will.

The mysterious gift of melody was illuminated by the next work. The sixth symphony of Sibelius is by no means an obviously timely work, yet over the years its unemphatic statements grow more and more memorable. Berglund does Sibelius with as little fuss as if he were starting a baroque concerto, but behind the apparent unconcern there is deep knowledge and great wisdom. Except that the pattering quavers of the first movement were as nature like bursts of soft rain, nature worship for one, in a baroque style. This was as nearly as possible abstract music and nothing the worse for that.

Marbella, Nov. 25.

THE FORMIDABLE combination of U.S. Open Champion Johnny Miller and U.S. PGA Champion Jack Nicklaus proved, as usual, too strong for the rest of the world at the Nueva Andalucia course in the United States with the 21st World Cup golf competition—her 12th triumph in all.

The Americans won by six shots from South Africa's Gary Player and Hugh Baiocchi, by 558-18 under par to 564.

Nicklaus and Miller had led by three shots overnight, having slumped in Saturday's third round when the South Africans really came at them. The young and comparatively inexperienced Miller shot a five-under-par 67, to his partner's 71, clinching the team victory and winning him the individual award by three strokes from Player.

The game South African had a 69 to-day, and his admirable partner Baiocchi a 72, so Player was the second individual at eight-under-par 280.

The incredible Mr. Lu from Taiwan shared third place in the individual competition with the mighty Nicklaus at 281, and he and his partner, Hsieh M'oh Nan shared third place in the team standings with Argentina's Roberto de Vicenzo and Fidel de Luca, at 568, eight under par.

The home countries were well down. The Irish were then best among them, the leaders on 583, thanks largely to Eddie Pollard's marvellous last round of 70. England parted on 593, Wales on 600 and Scotland on 602.

The battle was joined between Player and the Americans from the start. Baiocchi, for once,

played rather loosely to reach the turn in 38 shots to the 33 of Miller and Player and the 36 of Nicklaus.

When Miller holed out from some 20 feet on the eleventh green for a birdie two and from 30 feet at the long twelfth for a birdie four, the result was virtually put beyond doubt.

The fascinating aspect of the duel was really how hard Nicklaus had to compete to stay with his utterly brilliant partner to ensure team victory for his country. Nicklaus was plainly at odds with his swing, and hit the ball far left at six of the first nine holes, really putting himself under pressure.

No praise is too high for the 100 per cent effort he put into his work, and it is a staggering indication of his ability that even when playing so badly by his own high standards he could score 69, 68, 73 and 71 to Miller's 73, 65, 72 and 67.

Miller has putted brilliantly since the first round, considering his lack of knowledge of these undulating greens.

He was in marvellous form to-day. On the outward half he holed putts of 10, 12 and 12 yards for birdies at the first, fifth and eighth holes, having been bunkered at the latter.

Miller sank a 30-foot putt at the 12th for a birdie and played a masterly bunker shot to within a foot of the 14th, to salvage a par from nowhere. He dropped his only stroke to par when he blocked his second shot to the right of the 15th green. Otherwise it was plain sailing for Miller, who came home in 34 for 72.

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Centre Theatre Group

by MAURICE IRVINE

In the Music Centre, at Los Angeles, a triumvirate of costly new theatres on a knoll overlooking the city centre, the city has a glittering monument to art and the munificence of local millionaires. Each theatre—the cavernous Ahmanson, the huge, glassy Dorothy Chandler Pavilion, and the compact Mark Taper Forum—takes its name from a famous Californian family (the Chandlers)—chief contributors to the building of the Music Centre—own the Los Angeles Times, and much else).

While the Pavilion and the Ahmanson offer a sumptuous, if conventional, diet of opera, musical comedy, and Shakespeare, it's at the Mark Taper Forum that the most interesting work is being done. Under a brilliant young artistic director, Gordon Davidson, the Taper has given the West Coast world premieres of works by authors like Christopher Isherwood, Conor Cruise O'Brien, Father Daniel Berrigan, S.J., as well as a score of unknown, but tried young American writers.

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by RONALD CRICHTON

Royal performance of Palladium pantomime

For the first time there will be a special Royal Performance of the Palladium's pantomime. The Duchess of Kent will see Frankie Howard, Dora Bryan, Alfie Bass, Mark Wynter, Elizabeth Arden, and Leon Greene in *Jack and the Beanstalk* at a special Royal performance on December 20.

The performance is in aid of St. George's Hospital and Medical School Appeal Fund, which needs a further £2m. towards the cost of re-establishing St. George's Hospital and Medical School in South Wandsworth, London. Part of the money will be used to establish four chairs in important areas of medical research.

A pleasure to find a large audience for the Bournemouth Symphony Orchestra on Friday night—even the best provincial orchestras cannot always count on good support when they come to London. No doubt the crowds came to hear John Ogdon play Rakhmaninov, but they stayed after the interval to hear the new piano concerto written for him by Gerard Schurmann, described in the programme as "world premiere" though in fact on the two previous evenings at Portsmouth and the orchestra's home town had heard it from the same performers.

Schurmann describes his concerto as "an attempt to reconcile a contemporary idiom with a . . . solo piano part of virtuoso proportions." In the event the piano's scateri writing, seems of small notes, wide skips, martellato and furious markings, are outweighed by unashamedly pianistic writing with roots in Liszt and Bartok. The orchestra is normal, with double woodwind. The writing is fluent, un inhibited, often quite heavy in texture, though this did not seem to cause Ogdon much trouble. Like Roberto Gerhard, Schurmann can keep a straight-forward rhythm going for a long time without losing the bar-lines or resorting to metrical peculiarities.

Apart from the soloist's opening and mid-way cadenzas, which are unbarred, the first of the two movements, with some modifications of speed maintains an unbroken three-four throughout its length. There is strong enough impulse for this not to matter, with their gate force scoring and acid harmony, these pages are

agreeably bracing. The second movement is one of those carefully constructed sectional affairs designed to outwit the finale problem by pretending to be slow movement and scherzo as well. At a first hearing, the initial Lento appeared as little more than a necessary pause for breath after the previous pummelling.

The Presto that follows is prickly and swift, the final section reverting to earlier material (the movements are thematically interrelated) and brings back the mood of the orchestra's first entry. Neat enough, but by now one has begun to wonder if the material will bear the weight thrust upon it. Useful and workable phrases don't quite make up for the time that always, with this kind of piano writing, seems to be round the corner. Ogdon produced a wealth of warm, unclarity tone and sailed through the bravura. Paavo Berglund and the orchestra supported him with a will.

The mysterious gift of melody was illuminated by the next work. The sixth symphony of Sibelius is by no means an obviously timely work, yet over the years its unemphatic statements grow more and more memorable. Berglund does Sibelius with as little fuss as if he were starting a baroque concerto, but behind the apparent unconcern there is deep knowledge and great wisdom. Except that the pattering quavers of the first movement were as nature like bursts of soft rain, nature worship for one, in a baroque style. This was as nearly as possible abstract music and nothing the worse for that.

Marbella, Nov. 25.

THE FORMIDABLE combination of U.S. Open Champion Johnny Miller and U.S. PGA Champion Jack Nicklaus proved, as usual, too strong for the rest of the world at the Nueva Andalucia course in the United States with the 21st World Cup golf competition—her 12th triumph in all.

The Americans won by six shots from South Africa's Gary Player and Hugh Baiocchi, by 558-18 under par to 564.

Nicklaus and Miller had led by three shots overnight, having slumped in Saturday's third round when the South Africans really came at them. The young and comparatively inexperienced Miller shot a five-under-par 67, to his partner's 71, clinching the team victory and winning him the individual award by three strokes from Player.

The game South African had a 69 to-day, and his admirable partner Baiocchi a 72, so Player was the second individual at eight-under-par 280.

The incredible Mr. Lu from Taiwan shared third place in the individual competition with the mighty Nicklaus at 281, and he and his partner, Hsieh M'oh Nan shared third place in the team standings with Argentina's Roberto de Vicenzo and Fidel de Luca, at 568, eight under par.

The home countries were well down. The Irish were then best among them, the leaders on 583, thanks largely to Eddie Pollard's marvellous last round of 70. England parted on 593, Wales on 600 and Scotland on 602.

The battle was joined between Player and the Americans from the start. Baiocchi, for once,

played rather loosely to reach the turn in 38 shots to the 33 of Miller and Player and the 36 of Nicklaus.

When Miller holed out from some 20 feet on the eleventh green for a birdie two and from 30 feet at the long twelfth for a birdie four, the result was virtually put beyond doubt.

The fascinating aspect of the duel was really how hard Nicklaus had to compete to stay with his utterly brilliant partner to ensure team victory for his country. Nicklaus was plainly at odds with his swing, and hit the ball far left at six of the first nine holes, really putting himself under pressure.

No praise is too high for the 100 per cent effort he put into his work, and it is a staggering indication of his ability that even when playing so badly by his own high standards he could score 69, 68, 73 and 71 to Miller's 73, 65, 72 and 67.

Miller has putted brilliantly since the first round, considering his lack of knowledge of these undulating greens.

He was in marvellous form to-day. On the outward half he holed putts of 10, 12 and 12 yards for birdies at the first, fifth and eighth holes, having been bunkered at the latter.

Miller sank a 30-foot putt at the 12th for a birdie and played a masterly bunker shot to within a foot of the 14th, to salvage a par from nowhere. He dropped his only stroke to par when he blocked his second shot to the right of the 15th green. Otherwise it was plain sailing for Miller, who came home in 34 for 72.

Well down

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Richard Chamberlain as Cyrano

satire for the mores of a quasi-mythical "America," a capitalist bleaching sinking fast under the weight of its own greed, corruption and over-indulgence. Kurt Weill's astringent music underscores a political message that could hardly be heavier. Yet the flashy Las Vegas settings, popping with neon bordered with a frieze of doomed pimps, whores and gangsters, is true to the Brechtian malaise; and it fulfils, too, his prescription for good theatre: "From the first it has been the theatre's business to entertain people; it needs no other passport than fun, but this it must have."

The second play, *Die Massnahme* (*The Measures Taken*), has a different aim. "It mustn't be judged by its success in satisfying the audience's habits," Brecht wrote, "but by its success in transforming them." The play, written in 1930, has been described by Arthur Koestler as "the climax of Brecht's literary career and the most revealing of his political beliefs."

A pathetic irony emerges: much play is made of the fact that the new saviours of the people come from Moscow, that city of light for all pariahs of the Thirties. It was to Moscow, on tour, that Carole Neher, Brecht's mistress, friend and leading actress in his greatest successes went not long after *The Measures Taken* appeared. She never returned; swallowed in the great purge, she shared, in some unknown way, the fate of the young comrade.

me, sounded like the progressive denunciation of musical interest and life. The two pieces entitled *Unison*—numbers 1 and 4 given—were just that: interminably so. A long way from Wagner's concept of continuous melody indeed. Something more closely approaching irritation was provoked by the vanity and the silliness of Will Elisma's *Non Lecture*, one of those graphically notated pieces which allows a great deal of those clicks, grunts and gurgles from its instrumentalists and from a willing soprano (in this case, Poppy Holden)—fun to do, less fun to listen to. A piece for solo flute by Wim de Ruiter was replaced—at the last minute, without explanation—by one from the Japanese composer Kikushima; during the performance, laughter, chatter and coughs from backstage reached a level of audibility that had one briefly considering them part of the composition. I hope not; it was not an attractive effect.

Otherwise varying degrees of boredom: from the five pieces by Mouth of Hermes director and electric organist Frank Denyer, which the composer's with the distortions of a varying stage in the progression towards his concept of "a single melodic thread"; but which, to

words, and lively, too, in its focusing on the activities of the clarinet reed while breathed or blown through; patterns of notes heard set against a background of respirations metamorphosed into something very much like jetstream. The result showed thought, and fantasy, and even a modicum of excitement at the possibilities of the blends and balances of sound to be achieved in this way. Nor deeply original, the piece nevertheless stirred one's interest about other pieces Mr. Bruynel may have concocted in his Utrecht studio. In this one, and throughout the evening, Spaarnay displayed a virtuoso command of his instrument.

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Businessman's Diary

Pilot camping
show project

A PILOT Camping, Outdoor Life and Travel Exhibition is being planned by the organisers for next June on Clapham Common, in south London.

The reason for the venture is the uncertainty over Olympia although the lease still runs for the 1974 show. The organisers and the trade will watch the results of the pilot venture closely for if it proves successful and a lease was granted it would be possible to hold a much bigger show on the Common than at Olympia and at a fraction of the cost.

Meanwhile this year's show, to be held from December 28-January 6, will have about 120 exhibitors, although many stands will be occupied by more than one participant. There is to be a huge section of motor cars, vans on the second floor with about 60 models at prices ranging from £5,000-£15,000. Also on display will be a wide range of equipment and accessories for the outdoor life.

Two new
fairs

TWO NEW exhibitions on the calendar are one devoted to fashion accessories and knit yarns and another on laundry and the cleaning industries.

The first trade fair to be devoted to fashion accessories is to be held at the Mount Royal Hotel, London, from February 24-27.

The laundry and cleaning services fair is to be a smaller first event at the Normandy Hotel, Renfrew, on December 5-6. It will be accompanied by a seminar and most leading suppliers will be showing their latest ranges of equipment.

Foreign buyers
for hardware

EARLY INTEREST indicates that there will be a substantial increase in the numbers of overseas buyers coming to London's twelfth International Hardware Trades Fair.

The organisers report that buyers from Europe, the Middle and Far East, the continent of Africa, Australasia and the Americas have said they intend to attend. They are also expected from as far as Thailand and Venezuela.

Occupying all four halls at Olympia, London, from January 28-February 1, the coming fair will be the largest of its kind yet to be staged. There are some 600 exhibitors.

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Professional Model Makers' Exhibition (cl. Jan. 5)	Design Centre, S.W.1
Current	Northern Motoring Show (cl. Dec. 1)	Queen's Hall, Leeds
Current	Camping Trade Fair (cl. Nov. 28)	Exhibition Hall, Harrogate
Current	Wholesale Buyers' Gift Fair (cl. Nov. 29)	Mount Royal Hotel, W.1
Nov. 27-29	Industrial Safety Exhibition (cl. Nov. 29)	Earls Court
Nov. 27-29	Italian Fabrics Exhibition	Italian Trade Centre, W.1
Nov. 27-29	Automatic Testing '73 Exbn. and Conference	Metropole Ctr. Cent., Brighton
Nov. 27-29	Fabrics for '74 Exhibition	Celanese House, W.1
Nov. 27-30	International Materials Management Exhibition	Metropole, Brighton
Nov. 27-30	Chester Antiques Fair	Grosvenor Hotel, Chester
Dec. 1-2	British Intl. Coin, Stamp & Militaria Fair	Earls Court
Dec. 2-7	Royal Smithfield and Agric. Machinery Show	Mount Royal Hotel, W.1
Dec. 4-8	Fabrics from France Exhibition	Olympia
Dec. 4-8	Furniture Production Exhibition	Olympia
Dec. 4-8	Caravan Production Exhibition	Olympia
Dec. 4-8	Woodworking Industries Exhibition	Olympia
Dec. 18-22	Dunhill Int. Show Jumping Championships	Olympia
Dec. 23-Jan. 6	Camping, Outdoor Life & Travel Exhibition	Olympia
Jan. 1-12	Model Engineer Exhibition	Seymour Hall, W.1
Jan. 2-12	International Boat Show	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Education & Training Equip. Exbn. (cl. Dec. 2)	Moscow
Current	Swiss Industrial Exhibition (cl. Dec. 2)	Sao Paulo, Brazil
Current	Book, Stationery & Tech. Instruments (cl. Dec. 2)	Naples
Nov. 27-29	Chemical Industries Exhibition (cl. Nov. 30)	New York
Nov. 27-29	Hungarian Trade Marks Exhibition (cl. Dec. 1)	Budapest
Nov. 27-30	Electronic Packaging Exhibition	Mexico City
Nov. 30-Dec. 7	Congress & Exbn. for Computer Systems	Paris
Nov. 30-Dec. 7	International Mechanical Handling Exhibition	Paris
Nov. 30-Dec. 3	Intl. Exbn. of Horticultural Technology	Ghent
Nov. 29-Dec. 3	International Furniture Show	Brussels
Dec. 6-10	International Wine Fair	Verona
Dec. 11	European Trade and Industry Conference: Organised by the Financial Times, Fédération des Entreprises de Belgique, Office Belge du Commerce Extérieur, British Overseas Trade Board and the Confederation of British Industry	Brussels
Dec. 13-18	Intl. Exbn. of Caravans and Accessories	Amsterdam
Jan. 4-13	Intl. Sportsmen's Vacation & Travel Show	Los Angeles
Jan. 6-13	International Textile Machinery Exhibition	Sao Paulo, Brazil
Jan. 6-10	China and Glass Exhibition	Atlantic City
Jan. 7-10	Intl. Hotel, Café & Restaurant Exhibition	Amsterdam
Jan. 7-11	Trade Fair for Travel, Leather Goods & Souvenirs	Utrecht
Jan. 8-11	European Knitwear Exhibition	Milan
Jan. 9-13	Intl. Trade Fair for Home Furnishing Textiles	Frankfurt

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	Financial Times and City University: FT-City Course (cl. Dec. 13)	City University, E.C.2
Current	ICMA: Adv. Course for Man. Accts. (cl. Nov. 30)	Crown Hotel, Harrogate
Nov. 27-28	Fin. Times: Participation and British Industry	Royal Lancaster Hotel, W.2
Nov. 27-29	Institute of Fuel: Fuel and the Environment	Congress Theatre, Eastbourne
Dec. 4-5	Financial Times, Petroleum Times and British Airways (BOAC): The North and Celtic Seas	Royal Lancaster Hotel, W.2
Dec. 4-5	Imperial College: Safety & Economics	Princes Consort Road, S.W.7
Dec. 4-5	Frank Jenkins: Planning Press Relations	Connaught Rooms, W.C.2
Dec. 4-6	Imperial College: Distribution Network Theory	Exhibition Road, S.W.7
Dec. 4-6	Industrial Society: Managing People	Washington Hotel, W.1
Dec. 6	Fin. Times and Inst. of Chartered Accts.: Inflation Accounting—Alternatives and Implications	New London Theatre, W.C.2
Dec. 6-7	Marketing Improvements: Practical Pricing	Portman Hotel, W.1
Dec. 6-7	EBI: Cutting Maintenance Costs	Quaglin's, S.W.1
Dec. 9-14	TMP (Lancaster): Selling to Organisations	Royal Hall, Kent
Dec. 10	BAS: Land Hoarding Charge	18 Mansfield Street, W.1
Dec. 11	MCL: Overhauling Accounting Systems	Price of Wales Hotel, W.8
Dec. 11-14	Brunei University: Workplace Negotiations	Uxbridge, Middx.
Dec. 12-14	IMRA: Export Marketing Research Course	Whateley Hall, Banbury
Dec. 12-13	Fin. Times and Professional Administration: Action for Company Pensioners	London Hilton, W.1
Dec. 13	J. Morrell & Ass.: Exchange Rate Movements in 1974	Carlton Tower, S.W.1
Dec. 13	Bus. Prog.: Play & Fringe Code, Phase 3	Royal Lancaster Hotel, W.2
Dec. 13	Airflow Devs.: Conference on Air Pollution	Connaught Rooms, W.C.2
Dec. 13-14	SML: Creativity & Innovation Workshop	London Business Sch., N.W.1
Dec. 14	Legal Studies: Consumer Credit: New Legislation	Royal Lancaster Hotel, W.2
Dec. 14	Investment & Prop. Studies: Eurobonds	London Hilton, W.1
Dec. 16	W. D. Scott: Simplified Office Standards	Moor Hall, Cuckham, Berks.
Dec. 16-21	ETS: Group Dynamics of Work Situations	High Wycombe, Bucks.
Dec. 18	TMP (Lancaster): Marketing Management	16 Park Crescent, W.1
Jan. 6-11	TMP (Lancaster): Marketing Management	Cudham Hall, Kent

CINEMAS (Cont.)

ODEON, Leicester Square, (S. 30. 0111) The Day After Tomorrow, 11.15, 1.15, 3.15, 5.15, 7.15, 9.15. All seats bookable in advance.

ODEON, Marble Arch, (S. 20. 1111) The Day After Tomorrow, 11.15, 1.15, 3.15, 5.15, 7.15, 9.15. All seats bookable in advance.

ODEON, St. Martin Lane, (S. 30. 0111) The Day After Tomorrow, 11.15, 1.15, 3.15, 5.15, 7.15, 9.15. All seats bookable in advance.

ODEON, St. James's, (S. 30. 0111) The Day After Tomorrow, 11.15, 1.15, 3.15, 5.15, 7.15, 9.15. All seats bookable in advance.

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ART GALLERIES

MARLBOROUGH
6, Albemarle St. W.1.
René Magritte
RETROSPECTIVE LOAN
EXHIBITION
Until 28 November

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THE WEEK IN THE COURTS

House buying: problems of
the meaning of contract

BY JUSTINIAN

SOLICITORS ENGAGED in conveying work have this year been in a state of professional apoplexy. The hallowed phrase "subject to contract" used in negotiations for the sale of land was held by the Court of Appeal last April not to protect solicitors' clients in all circumstances from an enforceable contract.

Last week, however, a differently constituted Court of Appeal declined to follow the path of its predecessor. It restored solicitors' confidence that correspondence starting with a letter "subject to contract" and then setting out the terms for sale or purchase of land, which was not legally bound by his oral agreement to sell or buy the land. If two conflicting decisions of courts of equal jurisdiction will not give solicitors complete peace of mind, they will at least reduce the professional puzzle rate until the House of Lords resolves the judicial disagreement.

Memorandum

The controversy among the appeal judges all centred on the ingredients of section 40 of the Law of Property Act 1925 that makes a memorandum of an oral agreement an enforceable contract. Hitherto the term "subject to contract" has been thought to preclude the conclusion that any correspondence could be a memorandum. A letter from a solicitor simply denying an enforceable contract cannot of course amount to a memorandum. But what about a letter which sets out the terms of the agreement and does not specifically deny the existence of a legally enforceable bargain?

Reimbursed

Another alternative would be to leave the law as it has been declared by the latest Court of Appeal decision, but give the party to an oral agreement made "subject to contract" a right to be reimbursed for expenses incurred if he has been unreasonably let down by the other. The problem with this, said the Law Commission, is that sellers of houses are generally deterred from gazumping by moral considerations. Only a minority indulges in unethical tactics. But if the law were changed to make the seller liable to reimburse a purchaser for expenses incurred in an abortive sale, the impropriety would be created that a seller is entitled to gazump, provided that he offers to pay the buyer's expenses. Thus gazumping would acquire a degree of legal respectability.

Gazumping may be an ephemeral, active in time when there is a heavy demand for houses, but the law has been devised for all seasons and for all markets. It is not to see a solution. What is certain is that the legal problem arising from the two cases will not just go away.

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CORPORATION LOANS

MONMOUTHSHIRE 11½%
COUNTY BONDS
NO COSTS—PERIOD 1-2 YEARS. MIN. £1,000
Supported by 15 Authorities within the County of Monmouth.
Full details from: County Treasurer (Dept. F),
County Hall, Newport, Mon. NP23 5J. Tel: Newport 65431.

CONTRACTS AND TENDERS

ANNOUNCEMENT
REPUBLICKI FOND ZA PUTEVE (Republic Road Fund) SARAJEVO, of the Socialist Republic of Bosnia and Herzegovina, Yugoslavia, will in the near future commence the construction and reconstruction of road links with an overall length of approximately 170 km and individual lengths varying from 6 to 31 km. The construction and reconstruction of roads include earth works, works on asphalted pavements and construction of bridges and tunnels. Candidates who take part in the prequalification may ask the Road Fund to pre-qualify them for one or more road links.

Enterprises interested in taking part in prequalification are being invited to submit their references, with a short survey of their past experiences in works of similar nature, as well as data regarding their financial situation, and to submit their applications not later than January 28th, 1974, to the REPUBLICKI FOND ZA PUTEVE, SARAJEVO, Mite Sokolovic Street No. 36-a, Yugoslavia.

The Road Fund will invite the prequalified enterprises, which are founded in member countries of the World Bank or in Switzerland, to submit their offers for execution of works. The Road Fund anticipates that the documentation for the preparation of offers will be available at the beginning of 1974.

WANDSWORTH BONDS

11¾%
FIXED FOR 1-2 YEARS
£500 AND OVER—REPAYABLE IN FULL ON MATURITY
DIRECTOR OF FINANCE,
REF. OF FINANCIAL BUILDINGS,
LONDON, SW18 2PL. 01-874 4464 ext. 258.

COMPANY NOTICES

ANGLO-TRANSVAAL INDUSTRIES LIMITED
Incorporated in the Republic of South Africa
NOTICE TO HOLDERS OF 5% LOAN STOCK 1971/72
NOTICE IS HEREBY GIVEN that the registered office of the above-mentioned company will be closed from 18th December to 31st December 1973. In the event of the company being unable to pay the interest on the loan stock for the period 1st July to 31st December 1973, the company will be unable to pay the interest on the loan stock for the period 1st January to 31st December 1974.

THE MINT, BIRMINGHAM LIMITED
NOTICE IS HEREBY GIVEN that the registered office of the above-mentioned company will be closed from 18th December to 31st December 1973. In the event of the company being unable to pay the interest on the loan stock for the period 1st July to 31st December 1973, the company will be unable to pay the interest on the loan stock for the period 1st January to 31st December 1974.

RESTAURANTS

APHRODITE'S
PICCADILLY/CLARGES STREET, MAYFAIR, W.1.
Superb French cuisine, entertainment, dancing, music, bar, lounge, etc.
Daily ex. Sunday, Lunches Monday to Friday 12 noon-4 p.m.
RESERVATIONS 493 1205.

PERSONAL

YOU COULD CALL THIS COMMONS CHARTER
We make a good profit, and you get some very good Christmas Cards. That sounds like a sensible charity and now for our 24 page Catalogue of gifts and cards, or just send a donation please.
Dept. FT, The Commons Charter, Mentally Handicapped Children, P.O. Box 36, Brixton, London S.W.2. Tel. 01-238 5187.

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Daily ex. Sunday, Lunches Monday to Friday 12 noon-4 p.m.
RESERVATIONS 493 1205.

Mexico
(United Mexican States)

Issue of U.S.\$30,000,000 8½ per cent. Bonds 1991 at par.

Interest is payable semi-annually on 15th June and 15th December.

The following have agreed to subscribe or procure subscribers for the Bonds:

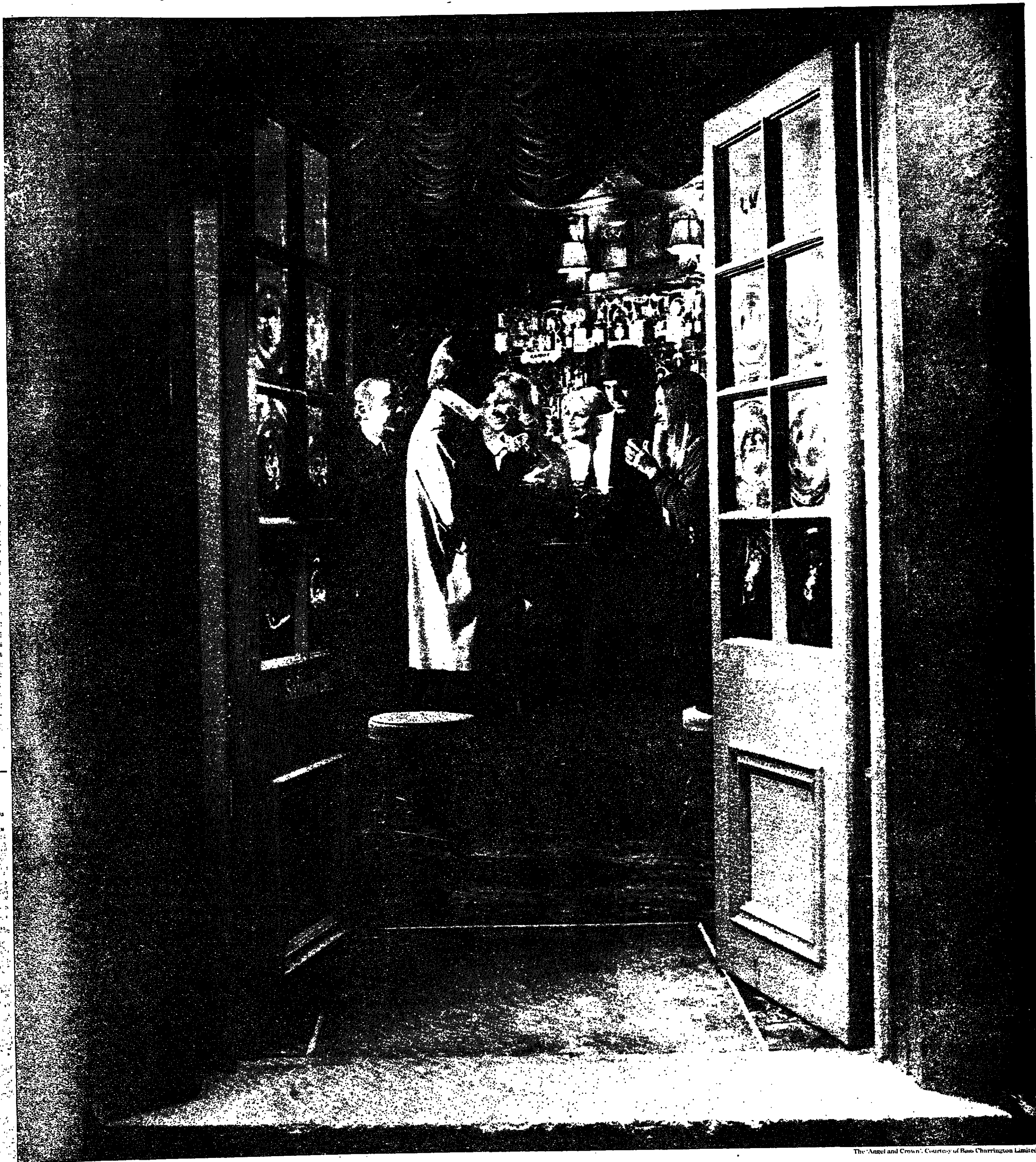
N. M. Rothschild & Sons Limited
Banca Commerciale Italiana
Crédit Suisse (Bahamas) Limited
Deutsche Bank Aktiengesellschaft
The Nomura Securities Co. Ltd.
Banco de Comercio S.A.
Banco Nacional de México S.A.

The 30,000 Bonds of U.S.\$1,000 each constituting the above issue have been admitted to the Official List by the Council of The Stock Exchange.

Full particulars of the Bonds are available in the statistical services of Ertel Statistical Services Limited and Moodies Services Limited and may be obtained during usual business hours (Saturdays excepted) up to and including 17th December, 1973, from:

Cazenove & Co.,
12 Tokenhouse Yard,
London, E.C.2.

JPKW150



The 'Angel and Crown'. Courtesy of Bass Charrington Limited

Behind any door you'll find someone who'll drink to the skills of Vickers.

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All this calls for a clear head and a great deal of technical skill.

But this perhaps unexpected view of Vickers is only part of the story.

Britain has many other reasons to drink to our achievements.

As well as putting beer into bottles, we put our skills into other engineering products. Sophisticated engineering into ships and submarines. Data retrieval and filing systems into offices. Precision and safety into medical equipment. And speed and clarity into colour printing. Many of our

products are sold overseas. This year two of Vickers operating companies won Queen's Awards for exports.

So whether the product at the end of the line is a nuclear submarine or a bottle of beer, the technical strength of industrial groups like Vickers means satisfied customers.

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Vickers Limited, Vickers House, Millbank, London SW1P 4RA.



VICKERS Part of life.

U.K. interest rates are highest in Europe

BY CHRISTOPHER LORENZ

A STRENGTHENED marketing effort and the downward float of sterling have contributed to a dramatic improvement in the GEC export order book.

The intake of orders in the first quarter of the company's year, April-June, was 46 per cent higher than in the same period last year at £70.7m. GEC expects to report a similar increase for the second quarter.

The improvement follows an increase of a third, to £248m, of GEC export order inflow over the last financial year. It contrasts with a much less significant increase in the value of British exports of electrical equipment so far this year, and the emergence of a trade deficit.

Imports rise

The star areas in GEC's first quarter were Latin America, the Middle East, North Africa and the Common Market. The best product performers were gas turbines, traction, electronics (Marconi equipment) and diesel engines. The company says that the figures have not been distorted by major orders for power engineering equipment, since none were received in the first quarter.

In spite of stress by Sir Arnold Weinstock, GEC managing director, on boosting exports to Europe, the Common Market was overtaken by the Middle East and North Africa in order of significance. EEC orders jumped by 32 per cent, to £11m, while those from the Middle East and North Africa increased by almost 250 per cent, to £19m.

Latin American orders, on the other hand, increased fivefold to £5m, partly thanks to major

RATES AT NOVEMBER 15

Country	Bank Rate %	Overdrafts %	Loans %	Commercial and Finance Paper
AUSTRIA	5.50	5.50-7	7.50-8.50	Commercial bills 6-7
BELGIUM	7	9.50-10 plus commission 0.25% per quarter on limit of facility	—	Commercial bills 6-8
DENMARK	8	10 plus commission 0.25% per quarter on limit of facility plus establishment commission 0.20-0.30% flat	—	Commercial bills 10
FINLAND	9.25	12.50-15.00	8.75-12.50	Commercial bills 8.75-12.50
FRANCE	11	11.25 minimum rate plus commission 1.00% per month on highest debit balance in month. 11.40 minimum rate "Credit Mobilisable" (See note (i))	—	Commercial bills 10-10
GREECE	9	10-15	10-15	Commercial bills 10
ITALY	6.50	10	—	Commercial bills 9.50
LUXEMBOURG	7	7 first class borrowers 6.50-7.50 Other borrowers 7.50-8.50	—	Commercial bills 6.50
NETHERLANDS	7	10-10.50 minimum rate (See note (ii))	—	Commercial bills 6.50-7
NORWAY	4.50	6 plus commission 0.25% per quarter on limit of facility	7.50-8.50	Commercial bills 7-8
PORTUGAL	4	5.50-7.50	5.50-8	Commercial bills 6.25
SPAIN	6	8.50	7.50	Commercial bills 7
SWEDEN	5	6.75-7.50 plus commission 1.00% per annum on limit of facility	6.50-8.50	Commercial bills 7.25-8.50
SWITZERLAND	4.50	7.25-8.25 unsecured 6.50-7.50 secured	6.50	Commercial bills 5.50
UNITED KINGDOM	13	14-17	14-17	Commercial bills 14.25
WEST GERMANY	7	14.50-16	14.50-16	Commercial bills 13.25-14.75

NOTES: (i) Facilities are usually of short duration. (ii) Commission of 0.25% per quarter added, based upon highest overdraft figure.

(iii) For customers overdrafts without prior approval, the rate is increased up to 17% per annum.

Materials shortage cut U.K. share of tractor boom

BY PETER BULLEN

SHORTAGE OF raw materials and labour disputes have prevented British manufacturers exporting a world boom in demand for tractors. They have also made the home market vulnerable to foreign imports, it was claimed yesterday.

Ford Tractor Operations said the long waiting lists for tractors—farmers having to wait until mid-1974 for new models and further 12 months for other farm machinery—were due to the shortage and disputes.

The company said the record demand, which would probably last for two years more, had followed the upsurge in world grain prices and farm incomes. Unfortunately, it had coincided with a period of strain on the manufacturing resources of British industry caused by the Government's sustained growth policy and the shortages of raw materials, particularly steel, it had created.

In addition, a seven-week strike at the company's Antwerp factory supplying rear axles and gear boxes for Basilidon-built tractors had a "disastrous" effect on the first quarter's production.

Mr. G. R. Tipplady, general sales manager, said Ford had not been the worst affected and the shortages of the two main British manufacturers had presented a golden opportunity for foreign imports.

Foreign tractor imports in the first ten months of this year totalled 4,434 compared with 3,570 in the comparable period of 1972 and their market share had risen from 14.2 per cent to 16.8 per cent. Most had come

from Iron Curtain countries, some of which were eager for hard currency and their tractors were often sold at £400 to £500 lower than comparable British models.

So far this year, Ford has produced 7,370 or 27.4 per cent of the 26,888 tractors made in Britain but both volume and penetration are down on last year's figures of 7,329 and 29.1 per cent.

However, even though our market share is down slightly we are pleased to announce that Ford has achieved market leadership so far this year and this is always a source of considerable satisfaction to any manufacturer, even though we must admit that we would have preferred to have achieved this in a free supply situation rather than because our major rival suffered even greater losses than ourselves due to industrial strife," said Mr. Tipplady.

To mark the opening of the Royal Smithfield Show at Earl's Court in London next week (December 3-7)—the annual shop window of Britain's agricultural machinery industry—Ford has introduced a new "Dual Power" system for its two latest models which adds eight new forward and two reverse gears for an extra cost of £139 or £153.

A two-speed power take-off for the two largest models, a steel roof as standard equipment on the cab of light tractors and a "super de luxe" seat for tractor drivers are also being introduced.

GEC export orders up 45% over last year

BY CHRISTOPHER LORENZ

U.K. INTEREST rates are now the highest in Europe again, according to the latest survey on interest rates from Williams and Glyn's Bank.

Only in West Germany, where the equivalent of the "blue chip" rate is 14½ per cent, compared with 14 per cent in Britain, are rates at comparable levels, the bank's international banking division says.

On November 13 the U.K. minimum lending rate was raised from 11.25 per cent to 13 per cent, and there was a consequent 2 per cent rise in banks' base rates to 13 per cent.

Elsewhere, Continental interest rates have remained very steady over the last month, after a number of sharp increases in the previous months. The only other changes, apart from the substantial U.K. rise,

were increases in German bill rates, which went up by 0.5 per cent, and an increase of 0.25 per cent in Swiss banks' loan rates.

Bill rates in Switzerland in fact declined by 0.75 per cent.

The problems of excess demand and inflation remain pressing in most of Europe, the bank says, and the Middle East situation has added to the uncertainties.

In these circumstances it is difficult to predict the direction in which interest rates might move. However, a period of continued firmness of rates and credit restraint is likely in Europe, but rates could be expected to fall as the boom is brought under control," Williams and Glyn's suggests.

Although interest rate movements were few over the last month, some countries—notably France, Austria and Switzerland—introduced measures to reduce the lending undertaken by their banking systems.

Outside Europe, interest rates also showed little sign of movement, despite the uncertainties arising from the Middle East situation.

In the U.S. prime rates continued to decline in the month to mid-November, reaching 9.9 per cent, despite the development at the end of the period of a much firmer trend in money market rates.

Indonesia sea freight rates

MEMBER LINES of the European Indonesia Freight Conference have announced that, from December 1, they will incorporate their existing "Suez" surcharge within tariff rates of freight.

Co-op Union considers store mergers speed-up

BY LORNE BARLING

KEY PLANS to speed up the rate of mergers within the Co-operative movement are to go before the policy-making committee of the Co-operative Union, the movement's central co-ordinating body this week.

It is understood the document to be submitted to the Co-operative Union central executive on Wednesday will include a recommendation that the number of retail societies should be brought down to about 20. The proposals will go before the committee as a discussion paper. Any executive-approved plan would have to go before next year's Co-operative Congress, the movement's "parliament" for confirmation.

The proposal comes at a time of growing concern about the slow rate of society mergers in the movement.

Nonetheless, the process of amalgamation and the campaign to modernise the stores, spearheaded largely by the Co-operative Wholesale Society, has started bearing fruit.

CONSUMER CONFIDENCE

No improvement over the previous month's level

FINANCIAL TIMES REPORTER

CONSUMER CONFIDENCE remained at a low level in November, but at least fell no further from the previous month's level.

There was, however, a drop in the number of people who felt that the present time was a good one for the purchase of consumer durables.

The results are based on interviews carried out before the Bank of England measures aimed at securing higher interest rates and less easily available credit.

These are two of the main conclusions of the latest survey of financial expectations undertaken for the Financial Times by

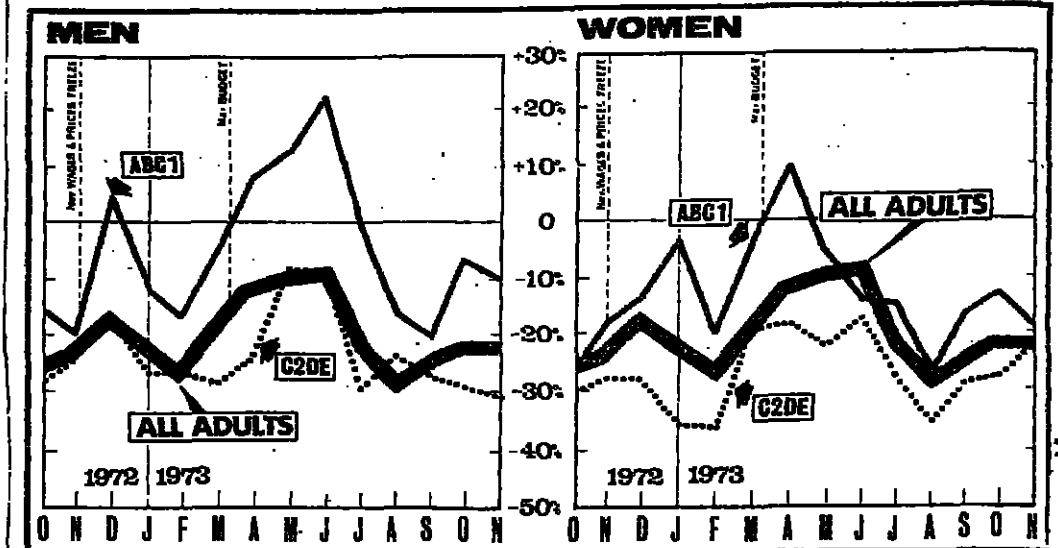
the British Market Research Bureau. The findings are based on a nationally representative sample of 852 adults interviewed between November 1 and November 7.

The consumer confidence index, which represents the balance between those who expect conditions to improve over the next 12 months and those who expect things to get worse, remained at -22, which is the same as the October figure, and compares with the recent low of -28 per cent in August.

Within the overall average, there have been changes among constituent categories of people.

Percentage balance of respondents expecting conditions to improve in the next 12 months over those expecting them to worsen.

THE NEXT 12 MONTHS



BETTER OR WORSE OFF

	All Adults	ABC1 Men	ABC1 Women	C2DE Men	C2DE Women
November 73	27: 40 (33)	32: 31 (37)	28: 35 (33)	26: 44 (30)	24: 43 (3)
October 73	29: 42 (29)	31: 32 (37)	32: 39 (29)	27: 47 (26)	26: 44 (3)
September 73	28: 41 (31)	34: 35 (31)	32: 30 (38)	26: 48 (26)	23: 42 (3)
August 73	26: 42 (32)	30: 35 (35)	30: 35 (35)	23: 43 (34)	23: 48 (2)
July 73	24: 43 (33)	30: 35 (35)	23: 40 (37)	23: 45 (32)	21: 44 (3)
June 73	36: 34 (30)	53: 26 (31)	33: 30 (37)	36: 37 (27)	31: 36 (3)
May 73	33: 38 (29)	37: 31 (32)	36: 33 (31)	33: 41 (26)	29: 40 (3)
April 73	29: 39 (32)	37: 34 (29)	27: 37 (36)	32: 40 (28)	22: 44 (3)
March 73	25: 41 (34)	32: 40 (28)	30: 34 (37)	31: 39 (30)	29: 37 (3)
February 73	29: 37 (34)	30: 32 (38)	24: 39 (37)	31: 40 (29)	29: 37 (3)
January 73	31: 35 (34)	38: 31 (31)	32: 30 (38)	31: 40 (29)	29: 37 (3)
December 72	32: 34 (34)	37: 30 (33)	26: 33 (41)	35: 34 (31)	28: 34 (3)
November 72	31: 39 (30)	40: 38 (22)	28: 34 (38)	33: 40 (27)	28: 41 (3)
October 72	21: 47 (12)	31: 56 (13)	16: 71 (13)	22: 64 (14)	16: 71 (1)

© BMRB, Financial Times. Full survey purchasable from BMRB.

Women blame EEC for most price rises

By Lorne Barling

HOUSEWIVES IN Britain believe that the main reason for rising prices is the country's entry into the EEC, according to the results of a survey published yesterday.

The survey, carried out by The Grocer and the J. Walter Thompson Organisation, showed that housewives believed the other reasons for price increases were strikes and VAT.

The findings showed that 81 per cent of those questioned believed they were worse off than in the previous year, and that 96 per cent of them thought rising prices was the reason.

Co-op Union considers store mergers speed-up

BY LORNE BARLING

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The proposal comes at a time of growing concern about the slow rate of society mergers in the movement.

Nonetheless, the process of amalgamation and the campaign to modernise the stores, spearheaded largely by the Co-operative Wholesale Society, has started bearing fruit.

Your next step should be Sanwa.

Finding the answers to your questions on international business and banking is one of our main functions. So naturally, we have an experienced staff for this purpose. And we pride ourselves on efficiency — we give you results, not run-arounds. It's no coincidence that we've been growing. People like our service. Contact us. It's a step in the right direction.

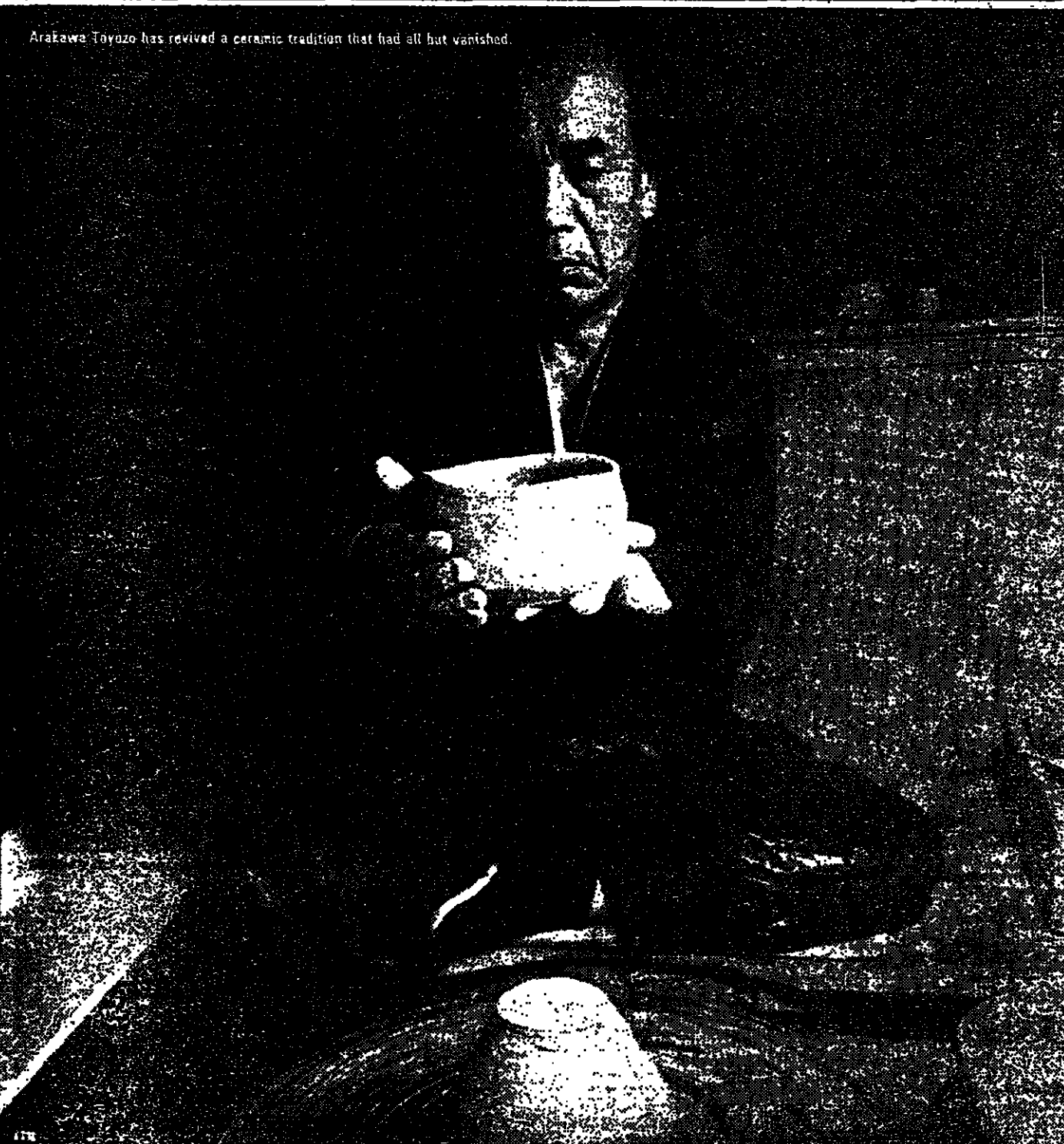


SANWA BANK

OVERSEAS OFFICES: London Branch: 31-45, Gresham Street, London EC2V 7ED. Düsseldorf, Frankfurt, New York, San Francisco, Chicago, Hong Kong, Kōbe, Osaka, Sydney, Singapore, Kuala Lumpur, Jakarta.

ASSOCIATES AND AFFILIATES: Sanwa Bank (Underwriters) Ltd.; London / Sanwa Financial Services Ltd.; London / Associated Japanese Bank (International) Ltd.; London / Eurofinance / Paris / Continental Ltd.; London / Commercial Union (Securities) Ltd.; London / Bangkok Sanwa International Securities Co., Ltd.; Bangkok / Singapore Nomura Merchant Bank Ltd.; Singapore / Banco Brasileiro de Investimento S.A.; São Paulo / Liberty Bank; Honolulu / New Hebrides Trust Co., Ltd.; New Hebrides.

Commencing 40 years Service in 1933. Incorporated 1933. Founded 1877.



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venerable traditions. In Japan, we designate these great artists "Living National Treasures." At Sumitomo Trust, we believe this same spirit can prevail. Like the master craftsman, we strive for both perfection and innovation in all our banking services.

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TEL: 061 634 8384

JP Kioski SA

Joint Company Announcement

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED

AFRICAN GOLD AND BASE METAL HOLDINGS LIMITED AND THE AFRIKANDER LEASE LIMITED

(All of which are incorporated in the Republic of South Africa)

Anglo American Gold Investment Company Limited (ANGOLD), African Gold and Base Metal Holdings Limited (AGBM) and The Afrikaner Lease Limited (Afrikaner Lease) announce that they have decided that it would be to the common benefit of the three companies to consolidate their mineral rights interests over the Farms Hartbeestfontein No. 297, Rietkui No. 397 and 414, Rhenosterhoek No. 298 and Rhenosterhoek No. 299, District Klerksdorp.

The three companies concerned have also decided that the merger of the mineral rights could best be effected by Afrikaner Lease purchasing the respective rights of ANGOLD and AGBM for a cash consideration and by those companies acquiring therewith a shareholding in Afrikaner Lease, and it has been accepted that the shareholdings in Afrikaner Lease of ANGOLD, AGBM and the present shareholders of Afrikaner Lease should be proportionate to the value of the respective companies' contributions to the joint venture.

An assessment of the relative value of the contributions of the three companies, based on the mineral rights areas contributed by them and taking into account the additional contribution by Afrikaner Lease of its freehold properties and other assets, has indicated that an equitable ratio would be ANGOLD 40.0419 per cent, AGBM 17.4460 per cent and Afrikaner Lease 42.5121 per cent.

It is proposed that this ratio should be achieved by granting ANGOLD and AGBM the right to take up, at par, an appropriate number of new shares to be created by Afrikaner Lease through an increase in its share capital.

Associated companies in the Anglo American Corporation group holding rights to participate to the extent of 80 per cent in the exploitation of the mineral rights being sold by ANGOLD to Afrikaner Lease support the proposals and have advised ANGOLD that they will be exercising their rights.

Provisional agreements have been entered into between the three companies to give effect to the proposals. As soon as the Atomic Energy Board gives its consent to the disclosure of the relevant technical information, an extraordinary general meeting of Afrikaner Lease will be convened with a view to obtaining shareholders' ratification of the agreements and approval of the consequent increase in the share capital of Afrikaner Lease. Full details of the proposals will be contained in the circular accompanying the notice of meeting.

The circular will also be sent to the shareholders of ANGOLD and AGBM Investments Limited, the holding company of Afrikaner Lease, for information.

Johannesburg

26th November, 1973

INTERIM STATEMENT

THOMAS WARRINGTON & SONS LIMITED

General Building and Public Works Contractors
Ellesmere Port

The unaudited results for the six months ended 30 June 1973, are as follows:—

	Six months ended 30 June 1973	1972
Profit before taxation	179,000	205,000
Deduct Corporation Tax 40% to 31/3/73—50% from 1/4/73 (1972—40%)	80,550	82,000
	£98,450	£123,000

The following is a statement by Brian Warrington, Chairman:

The directors have declared an interim dividend of 1.1637p per share which, together with the associated tax credit would be equivalent to 1.6625p per share (1972 1.5833p per share gross on the capital as increased by the scrip issue in June, 1973). This dividend represents an increase of 5% on the interim dividend for last year and will be paid on 8th January, 1974, to shareholders on the register on 7th December, 1973.

The reduction in the interim profit figure compared with last year is due to the incidence of contract completions. House sales were up to expectations and I consider the overall results to be satisfactory.

Trading has become more difficult in the second half of the year with a continuing shortage of labour and materials in particular delaying the completion of contracts. Due to the high interest rates, combined with the mortgage situation, private house sales are becoming difficult and very few houses are being sold. With interest rates continuing to increase, I am of the opinion that house sales are going to be depressed for some months to come, and the effects of this, together with the shortage of labour and materials, will have a bearing on the results that will be produced for the full year.

This announcement appears as a matter of record only.

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OVERSEAS NEWS

Hitch in Km101 talks stalls Sadat's plans

By WILLIAM DUFFLANCE

THE CHECKPOINT 101 disengagement talks between Egyptian and Israeli officers scheduled for this afternoon have been postponed until 11.00 to-morrow.

President Anwar Sadat has therefore not got the agreement on Israeli withdrawal from its west bank positions which he had hoped to take to the Arab leaders' summit starting in Algiers to-morrow.

The stalling of the talks came amid mounting tension in Cairo over the possibility that fighting might break out again in the Suez Canal zone (where the Israelis announced a two-hour exchange of artillery fire took place this afternoon).

However, the air was cleared considerably by the news of Israel's agreement to take part in peace talks in Geneva next month.

Egyptian officials believe that Israeli stubbornness in the checkpoint 101 talks is deliberately designed to provoke disengagement among the meeting Arab leaders. One well-informed source forecast that there would be no final ceasefire agreement while the Arab summit was on but also warned that there were "ways of reversing Israeli intransigence."

There have been indications that the checkpoint talks have

got stuck over the Israeli demand that the Egyptian forces must leave the east bank. Egyptian officials said last week there could be "no question" of Egypt abandoning the Egyptian territory it had won back.

They also indicated it would be difficult for President Sadat, in face of domestic public opinion and the doubts of other Arab leaders, to agree even to the replacement of the Egyptian Army by a civil administration on the east bank. There would then be no obstacle to the Israeli forces sweeping back to the Canal whenever they chose.

Richard Johns writes from Algiers: A firm commitment to the restoration of the "rights of the Palestinians" now seems certain to emerge from the Arab summit conference which opens here to-morrow. It threatens to be a bigger stumbling block in any negotiations with Israel than the future jurisdiction over Jerusalem.

Arab leaders are also expected to back Egypt's plea that the oil embargo should be tightened until Israel starts pulling from occupied territories or makes a specific commitment to do so. They may also set a deadline, threatening resumption of hostilities if this is not met.

Mr. Yasser Arafat, chairman of

the Palestine Liberation Organisation, arrived here last night looking buoyant and saying that his talks in Moscow had been "crowned with success." He will be attending the summit with the status of a Head of State.

Almost inevitably a corollary to the collective blessing for a Palestinian Government-in-exile and an insistence that it takes part in a peace conference. By presenting himself from the summit, King Hussein must be showing his displeasure at the Arab consensus that a Palestinian State must be independent from Jordan.

With the prospect of the negotiations ahead the factions of the Palestinian movement have been forced to stand together and all of the main ones were in Moscow with Arafat. Now only the Baghdad-sponsored Arab Federation Front has opted out from the gathering here, in line with Iraq's boycott of the summit.

Rupert Cornwell reports from Paris: Colonel Nuammar Khedoufi to-day launched a broadside attack here on his fellow Arab leaders as they gathered for their summit in Algiers. But he was notably more discreet on the possibility of further arms sales by the French Government to Libya.

CAIRO, Nov. 25.

Meir: party to decide on future

By L. DANIEL

TEL AVIV, Nov. 25

MRS. GOLDA MEIR, the Israeli Premier, will ask the central committee of the Labour Party which she heads to make it clear whether the party wants her to continue as Premier—if Labour is again the main partner in the next Government after the general election scheduled for December 31.

She has asked that a secret vote be taken on this at the meeting of the party central committee scheduled for Wednesday, a meeting which is to consider the Labour Party's platform for the election in the light of the war and the political developments of the past seven weeks.

The discussions are expected to be long and bitter. A few days ago Mrs. Meir told a meeting of the committee that she wants to know definitely "who is for whom and who is for what," following substantial divisions within the party and a general air of uncertainty in the country as to who was responsible for the decision not to mobilise for the war, with all that this entailed.

Deflation forecast after reshuffle of Japanese Cabinet

By PETER DUMINY

TOKYO, Nov. 25.

THE APPOINTMENT of Mr. Takeo Fukuda as Japan's Minister of Finance, filling the vacancy left by the death of Mr. Kiichi Aichi on Friday, will be judged an astute move by Mr. Kakuei Tanaka, the Prime Minister.

Mr. Fukuda has been the main critic of the Government's economic policies within the ruling Liberal Democratic Party. He leads the most powerful faction within the party. He was Finance Minister in the last Cabinet but one of former Prime Minister Mr. Eisaku Sato—and he was Mr. Tanaka's chief rival for the Prime Ministership last year. At the age of 68, Mr. Fukuda was, at least until to-day, still considered a serious potential contender for the leadership.

Mr. Fukuda's return to a key Cabinet portfolio from the relative obscurity of the Administrative Agency which he has headed for the last year, means that Mr. Tanaka is able to keep the Finance Ministry in experienced hands.

The appointment also has deeper significance. Mr. Fukuda was publicly advocating much more stringent deflationary measures, including slashing of Government capital works pro-

grammes, well before the present oil emergency. It is virtually inconceivable that Mr. Fukuda would have been offered the Finance Ministry had the vacancy occurred prior to the energy crisis.

Now, however, Mr. Tanaka may well recognise that Mr. Fukuda's policies are what he needs. Thus he not only silences a critic but gains a powerful ally with both the will and the political muscle to hand down unpopular measures which have begun to appear increasingly necessary to deal with the inflationary impact of the oil supply situation.

Up to the present the initiative in dealing with the oil situation has largely been seized by the Ministry of International Trade and Industry.

Mr. Fukuda is unlikely to accept a back seat. He arrives at a time when next year's Budget is in an advanced stage of preparation, but said to-night he had made it a condition of the appointment that economic policies would be revamped in the light of his known views.

Another significant change was involved in the choice of Mr. Tadano Kurajishi, a Fukuda supporter, as Agriculture Minister.

Bonn may forgo regional aid

By LORELIES OLSLAGER

BRUSSELS, Nov. 25.

GERMANY is so concerned to keep down expenditure for the proposed European regional fund that she may be willing to forgo all claims on the fund herself, informed sources said here to-day.

This message is said to have been given by Herr Helmut Schmidt, the German Finance Minister, to Mr. George Thomson, the Commissioner responsible for regional policy, during their talks in Bonn last week. Mr. Thomson has consistently argued that the fund must be big enough to benefit all member States, including West Germany.

Herr Schmidt is also said to have suggested that instead of allocating new resources for the fund the Community might first use up the so-called Mansholt Reserve—unused money from the guidance section of the European farm fund. The Mansholt Reserve, named after the father of the Common Agricultural Policy, is estimated to stand at about 350m. units of account (old dollars).

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Brandt in Paris talks

By Rupert Cornwell

PARIS, Nov. 25.

CHANCELLOR BRANDT arrives here to-morrow for two days of talks with President Pompidou that could pave the way for a significant advance in improving political co-operation in Europe.

The meeting, which was to have been held in January, will be the third Franco-German summit this year, and will obviously be devoted largely to preparing the nine-nation Community summit in Copenhagen next month. The two leaders will be alone for some six hours, spread over three separate private conversations.

Mr. Thomson is asking for 2,250m. units of account for the regional fund for the years 1974 to 1976.

Germany's willingness to consider forgoing any claims on the fund is also apparent from the talks now going on between officials of the nine member-States in Brussels. The Germans recently asked the European Commission to calculate how many only parts of Britain and Italy would be entitled to help and the whole of Ireland would be entitled to help.

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Britain views Iran ventures

By DAVID HOUSEGO

TEHRAN, Nov. 25.

THE LARGEST British mission with a prominent contingent of bankers.

The conference will be formally inaugurated by the Iranian Prime Minister Amir Abbas Hoveyda to-morrow night. An indication of the importance the Iranians attach to the mission—the largest of its kind ever to have taken place in Iran—is that they have decided to hold it in

the tented city at Persepolis where Heads of State assembled for the 2,500 anniversary of the Persian monarchy two years ago.

To add further flourish to the occasion, several British companies are expected to announce that they have signed initial agreements for investing with Iranian partners in new joint venture projects here.

Is this what flexible working hours means to management?

Flexible working hours were designed to make life easier for everybody.

Not only staff. Not only management.

Unfortunately they don't always work like that.

More often than not, flexible working hour systems aren't flexible enough to cope.

They can't always cope with changes in working agreements. Or overtime agreements. Or staff reductions. Or even absenteeism, through holidays, business trips and illness.

And it isn't easy to adapt them to cope with expansion.

All of which means a lot of unnecessary work for everybody.

But particularly management.

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Olivetti has developed a system which will solve these problems.

The MICS 200. It starts where the others finish.

It's computer based, and provides you with much more information than any other system.

It records when people start and finish work, so you can plan inter-departmental liaison.

It automatically takes holidays, business trips and sick leave into account, so you don't need extra clerical staff.

It also has many advantages for your employees.

They receive an accurate record of hours worked, so any queries are easily resolved.

And because everybody carries their own card, which can be used in any one of a number of clock terminals, it does away with queueing.

The actual terminal is designed not to look like a traditional clocking-in clock, so there's no stigma with recording times of arrival and departure.

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Lastly the MICS 200 will make life easier for your accountant, because the larger the company the less it costs per person.

In all, the system will make life easier for everybody.

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Or ring us and we'll send somebody round to see you.

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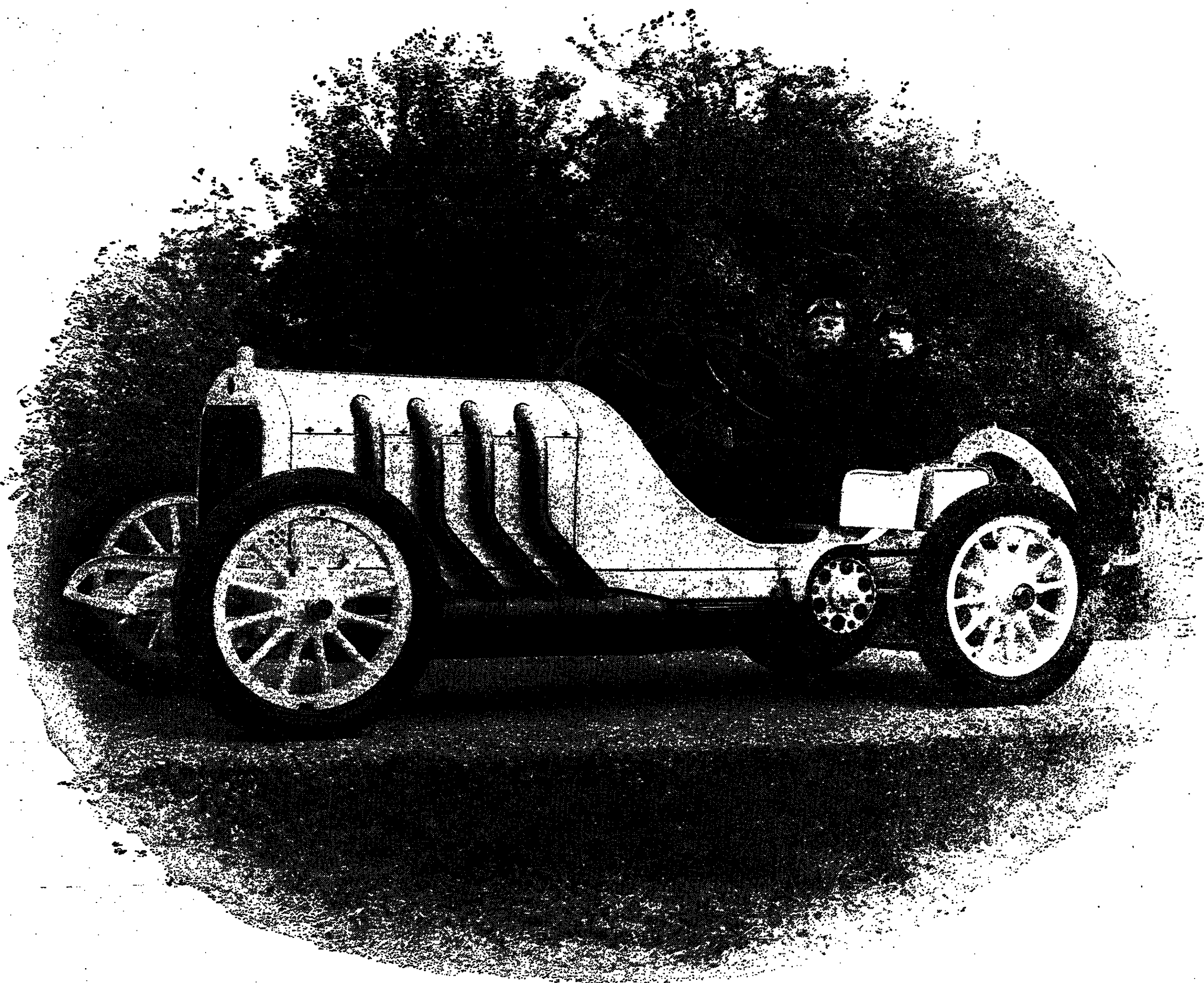
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Please send me further details about the Olivetti MICS 200 system.

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It went like a bomb, but it was hell to keep on the road.

It's a point that's often forgotten these days, but there's nothing very new about speed.

The first cars were doing the ton barely ten years after Victoria's Diamond Jubilee.

The famous 'Lightning Benz' which held the world land speed record for fifteen years, clocked up 127 mph at Brooklands as early as 1909. And, two years later at Daytona, raised it to 141 mph.

There were snags, of course.

Stopping wasn't easy. On the 150 hp Benz in our picture, for instance, you had cable brakes. On the rear wheels only.

You needed all your strength just to push down the clutch pedal. On corners, you were likely to lose your co-driver.

As someone exclaimed to a well-known racing driver of the day: '120 mph and cable brakes only—how on earth can you do it?'

'Look,' came the reply, 'we make these cars for going, not for stopping!'

The story's worth re-telling, for there's another point which—though obvious—is also forgotten these days.

Over the years, the job hasn't so much been

to make cars faster. It's been to make them safer.

For our part in this, we can only refer you to the record.

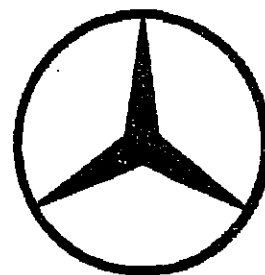
Mercedes-Benz introduced all-round independent suspension in 1931. Double acting shock absorbers as standard equipment in 1937. Anti-burst door locks in 1948.

We patented the first safety car body in the world as long ago as 1951. Made the steering shock absorber standard in 1952, front discs in 1962. And so on, until today.

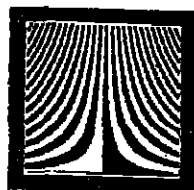
Mercedes-Benz concern with safety is no recent development, conjured up in response to public demand. Our cars have been built safer and safer for more than forty years.

This is why—perhaps more than in any other car—you always get that extraordinary feeling of security in a Mercedes, without ever feeling bored.

You know you're better off should an accident occur. And when it's safe to drive fast, you know it's safer to drive fast.



Mercedes-Benz



The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

RESEARCH

Ariel to probe magnetic storms

BRITAIN'S Ariel IV satellite, which has been in orbit since 1971, has been reactivated in support of a series of five Skylark research rockets currently being launched from Norway's Andoya rocket range as part of a campaign to examine certain aspects of magnetic storms associated with the Northern Lights. Both Ariel IV and the Skylark rocket are products of British Aircraft Corporation.

Ariel IV was launched in 1971 with a design life of one year. Its scientific mission was completed in March, 1973, after over 1,200 orbits in space. After a short technological exercise to check thermal conditions in the satellite as an aid to future satellite design, the telemetry transmitter was then switched off. It was reactivated in early October so that measurements of the influx of charged particles into the Arctic zone obtained by

the Skylark rockets could be correlated with similar data from Ariel IV at the higher altitudes. This data is acquired by the Norwegian ground station at Tromsø and then sent to the Science Research Council's Appleton Laboratory at Slough for analysis. When compared with data gathered from the Skylark this should prove of great value in understanding why magnetic storms are responsible for the occasional disruption of radio communications and (in extreme conditions) of electricity distribution.

Ariel IV will remain in operation until the end of the rocket campaign in mid-December and each day its behaviour will be monitored on a one-pass-per-day basis by the Winkfield tracking station operated by the Science Research Council on behalf of NASA. Five on-board scientific experiments are still functioning.

ELECTRONICS

Cheap chip with a memory

THE LATEST development in the calculator saga, and one of some interest, is the announcement by Texas Instruments of an eight digit integrated circuit chip complete with what is described as "full capability memory" to be sold at "the same price as existing simple four-function calculator chips".

Small quantities are available through the usual Texas distributors, with larger quantities on ten weeks delivery from Bedford. The TMS0132 is in a 28-pin dual in-line plastic package and is priced at £10 for quantities between 100 and 299.

The TMS 0132 memory has the capability of full participation in the arithmetic operations of the calculator. In addition to the customary standard features: floating decimal point, constant and chain operation, overflow protection, leading zero suppression, etc.

There are two modes of memory entry: accumulative, in which each depression of the "equals" key causes the result to be added to the memory; and "add-to-memory" in which a

key adds the contents of the display to the memory. The use of a "total" key recalls the memory contents which may be used as an operator in any of the calculator's arithmetic functions.

Big range of moulded reed relays

REED RELAYS of many types are being manufactured and sold by Astrulux Dynamics, Red Barn Road, Bridgwater, Somerset, CV7 0SW.

The 170 and 180 series include models available with single or double pole normally open contacts, magnetically biased single pole normally closed, and single or double pole changeover contacts. Available also is a single pole normally open high voltage model capable of switching 500 volts dc.

All the models are available with 5, 12 or 24 volt operating coils designed to keep the levels of drive power required to a minimum. Internal diodes for the protection of drive circuits, and magnetic screening, are available throughout the range, which is designed for PCB mounting with a choice of 0.15 or 0.1 inch centres.

PROCESSES

Control of container making

ENGINEERS and technicians at Rockware's Nottingham factory, largest in the Rockware group of companies, have co-operated with Embart (U.K.), a subsidiary company of the Embart Corporation of America, to design a world first—an electronic timing control for glass container forming machinery.

An electronic control console operates through sophisticated timing mechanisms which co-ordinate the delivery of molten glass from the furnace with the sequence of movements of the glass forming machine. Programming of the control is done by simply pressing buttons, allowing rapid change over from production of one bottle to another.

Leading glass container manufacturers from Europe and many countries including the U.S. and from as far as the Philippines have seen the equipment in operation at Rockware's Nottingham factory and been impressed by its benefits.

The Yorkshire factory has the prototype installed and will receive the first two production models early next year as part of the Rockware Group's film development programme. Under the terms of the development agreement with Embart, Rockware enjoys a lead time in use of the equipment.

retention of settled sewage and recycled liquor under virtually airless conditions. This allows denitrification to occur before proceeding with normal aeration treatment. Additional tank capacity may not be required.

Several methods have been proposed in the past for removing or reducing the concentration of nitrate present in effluents. Some of these methods involve modifications in the construction or operation of existing treatment plants; others are based on additional treatment requiring a supplementary carbon source.

The WPRL modified process is being developed in an effort to reduce, where necessary, the nitrate content in rivers from which water undertakers derive raw water supplies. The experimental work is being sponsored jointly by the Department of the Environment's Directorate General of Water Engineering; the Lee Catchment Catchment Board; the Middle Lee Regional Drainage Scheme; and the Metropolitan Water Board. The plant is being run by MLRDS; and analytical work is being done by the WPRL.

Separates oil from effluent

AN IMPROVED system for separating oil from wastewater, claimed to be substantially less expensive than previous designs and maintenance free, has been introduced by William Boulton, Stoke-on-Trent. Two units being installed at a Redditch (Worcestershire) factory are designed to deal with 28,000 gallons an hour with a contamination of 400 ppm and a discharge of fewer than 4 ppm.

A similar system at British Aluminium North, comprising four units treating 50,000 gallons an hour with a contamination of 2,000 ppm is designed to reduce contamination to 10 ppm—below the level demanded by Glamorgan River Authority—and has been discharging 4.8 ppm. A package deal is offered by the company including civil engineering and connection to existing drains.

Effluent made less toxic

WATER Pollution Research Laboratory is developing a modified treatment process for sewage plants which could reduce by about half its present amount the nitrate content in effluent discharged into rivers.

The experimental process, for which full-scale sewage treatment plant is being used, involves the

COMPUTERS

Make your own mini

MICROCOMPUTER table-top kits of parts designed to make it easier for manufacturers to develop their own OEM systems have been introduced by Intel and are available in the U.K. from Walmore Electronics of 11,

Betterton Street, Drury Lane, London WC2H 9BS.

The system is called Intellex S and is based upon Intel's single chip processing unit, the C8008-L. In its simplest form the kit consists of a cabinet housing the central processing module, display and control panel, drive

directs, input/output control, power supplies and up to 16K 8-bit bytes of semiconductor memory which can be any mix of read only, programmable read-only, and random access.



These cores made entirely from CO₂ hardened sand are to be used by RKB Precision Products, of New Road, Sandy, Bedfordshire, in production of non-ferrous precision sand castings for such diverse products as cameras for reconnaissance aircraft and computer print-out equipment. Matching traditional methods and techniques it has developed itself. RKB produces sample castings of great complexity from customers' rough

or preferably finished drawings and then by pattern modification can keep up with a designer's second or third thoughts until a final production run is authorised. The company specialises in castings requiring high standards of accuracy and surface finish, and in consequence has computer, electronic and optical instrument, aerospace and special purpose equipment manufacturers as principal customers.

PLASTICS Improved resistance to acids

HARVIGLAS, of Hyde, Cheshire, has increased production of its facilities for reinforced plastic acid-tanks in line with growing demand from lead/acid battery manufacturers and chemical producers.

The tanks, moulded from Fibreglass bisphenol polyester resin, developed by Synthetic Resins, of Edwards Lane, Speke, Liverpool, are being increasingly requested as alternatives to conventional ceramic, rubber-lined steel or lead-lined wooden products.

Harviglas has produced tanks in capacities from one cubic foot for laboratory work to 6,000 gallons (measuring 15 feet high x 10 feet diameter) for acid storage.

Excellent wetting-out features of the resin speed moulding and the elimination of air bubbles. The resultant laminates have high chemical resistance.

A good cure can be effected at ambient temperature but post-curing at elevated temperatures is recommended for optimum chemical resistant properties.

Design code for grp vessels

THE MOST advanced design and construction code in the world for the manufacture of glass-fibre reinforced plastics (grp) vessels and tanks has been published by the British Standards Institution as BS 4994.

GRP tanks are made in a range of sizes up to storage tanks large that they have to be manufactured in sections or entirely on site. Grp constructions are also

being increasingly used for pressure and vacuum services where operating conditions are particularly severe, for example, chemical process plant.

The standard contains a novel design method ideally suited to laminate construction, to ensure that the loads on parts of the vessel do not exceed the design strength of the material. This is arrived at by taking into account all relevant factors, including properties of the material of construction and the fabrication techniques employed. Design for the incorporation of additional laminate at local regions of high load is facilitated by this method.

The standard deals with materials using epoxy or polyester resins with hand or machine lay-up techniques, other than filament winding. The latter method of manufacture will be included when design procedures for strongly directional reinforcement have reached a sufficient stage of development for standardisation.

Vessels for use with hazardous substances and with pressurised differentials are normally subject to independent inspection and the necessary stages of inspection during manufacture are laid down in the standard. Provision is made for the proving of pressure vessel designs by testing of a prototype or by demonstration of previous successful construction.

The standard provides for the inspection of chemically-resistant linings, either of a more suitable resin than that used in the general construction or of thermoplastics, such as pvc.

The committee responsible for this British Standard has expressed the hope that it will attain a similar status to that enjoyed by BS 1515 for steel pressure vessels. A similar "Code Case" procedure to that used for metallic pressure vessels will be available to assist in interpretation and to speed the incorporation of new techniques and developments into the standard. The price, including postage, £4.60 from BSI Sales Department, 101, Pentonville Road, London N1 9ND.

INSTRUMENTS

Standard alloy disc supplies

USERS OF modern spectrometers in laboratories and elsewhere often find it difficult to obtain calibration standards for metals and alloys covering a wide type spectrum. Typical are users of X-ray excitation instruments, where the standards take the form of a small flat disc. Often a hunt around several manufacturers that happen to have stocks of specific standards, developed for their own specific purposes, is necessary.

To overcome the difficulty a new service in the form of a catalogue and physical stocking of discs has been started by Moore Boundy Hamill of Station House, Dargate Lane, Potters Bar, Herts.

The catalogue listing is divided into sections defined by the main element of the alloy—iron, copper, zinc, aluminium, or cobalt for example, and the discs are sold outright.

Cleans up pH probes

ACCURACY of acidity/alkalinity measurements in industrial processes can begin to drop off if the pH electrodes of the measuring system become coated, possibly leading to loss of control of the process. Often an electrode has to be removed, cleaned and replaced regularly if it is to perform acceptably.

Now, Electronic Instruments of

Chertsey has devised a method for use with its 2568 dip-type electrode system by which cleaning takes place at specified intervals, in-situ.

A pneumatically powered mechanism is used to wipe the membrane of the glass electrode. This is controlled by a remote electric timer which can be programmed to provide the optimum wiping sequence for individual applications and can control up to three cleaning systems. Apart from occasional wiper changes, the system is essentially maintenance-free.

Leaky cable meetings

THE UNIVERSITY of Surrey, which collaborated closely with the National Coal Board in connection with the NCB's leaky coaxial cable mines communication system recently described on these pages, is to hold an international conference on the subject on April 9 next year.

The proceedings will be confined to two-way mobile communications systems using HF, VHF or UHF techniques where coupling is mainly via the leakage fields associated with coaxial or 2-wire open pair transmission lines.

Just before this (April 1 to 5), there will be a conference on radio communication in mines, roads and tunnels organised by Liège, Belgium. The Belgian organisation is at Rue de Chera, B-4000, Liège.

Inquiries about the U.K. meeting, which is being sponsored by the University of NCB, British Rail, the IEE and the IERE should be sent to Miss A. Perkins, University of Surrey, Guildford, GU2 5HX.



MACHINE TOOL Inspecting cylinders at Ford's

A SIGMA automatic transfer inspection machine for gauging cylinder head valve guide bores has been supplied to Ford-Walpole, by Herbert Controls and Instruments of Spring Road, Letchworth. The machine is custom-designed for incorporation in the manufacturing line for V8 engine cylinder head components more than 160 units per hour to be inspected.

Automatically the unit checks the valve guide bores to diameter at top and bottom and for straightness, using an electro-pneumatic system of inspection and display. The open-jet high pressure gauge mandrels are situated at each of two gauging stations, the station for checking the guide bores is "plus" and "minus" display lights are provided for all dimensions on the display panel.

At the final classification station acceptable cylinder heads are stamped and pass into a manufacturing line. Reject components are fed to a separate bay. Five successive reject components cause an automatic warning light to flash. A system of interlock switches is provided to indicate any malfunction of the machine via an illuminated warning light. As an additional safety feature, a custom-built unit allows a chart record of actual machine operation to be taken periodically for comparison against a master.

Herbert Controls and Instruments is the largest European manufacturer of custom-built comparative gauging equipment.

MATERIALS

Recording heads last longer

COATING PROCESSES which considerably extend the life of magnetic recording heads have been introduced into the volume manufacture of tape recorders by the use of a new process. The process involves the use of a magnetic tape head with a thin layer of magnetic material on its surface. This layer is coated with a thin layer of a special material, which is then cured to form a hard, protective layer.

In order to combat the abrasive action of the movement of magnetic tape, which can limit the life of a conventional head to between 1,000 and 2,000 hours before refurbishing, DRI's head division has adopted a modification technique allowing metallic carbide coating to be deposited on the surface of heads which have been profiled accordingly.

The useful head life is increased by a factor of between five and 10 times depending on the type of system usage. In comparison, says the company, any increase in wear resistance, which can be obtained economically by minimising computer downtime and by reducing the maintenance and replacement heads.

Metallic carbide hard-coating is being offered by DRI as an optional feature on a range of seven-and nine-track tape heads, magnetic ledger or cassette heads and heads for customer requirements for use in rugged applications. DRI is at Hawthorne Road, Staines, Middlesex, TW18 3BL.

A lot of big international banks have forgotten how they got that way.

It's ironic. Big international banks become big international banks by giving people something they want. A new approach to international finance, maybe. Or more innovative ways to design loans. Or maybe something as simple as hard work and dedication.



And then, just as a lot of these banks have risen to the top on the strength of these strengths, they start acting like big banks.

They figure they've earned a little rest. So they stop hustling and start coasting. They play it safe. Falling back on old solutions instead of searching out new ones.

Now, over the past few years, we've become a pretty big international bank ourselves. (Marine Midland Banks have combined assets of over \$10 billion.) But we don't act big. For a very good reason. We want to become an even bigger international bank in the future. And we know that's never going to happen unless we continue to offer the same kind of service, attention, hard work and innovative thinking we've always given our clients.

You might say, we're planning to get bigger by remembering what it was like to be small. Main Office: 140 Broadway, New York, N.Y. 10015. Branches: London, 5 Lothbury; Paris, 17 Place Vendôme; Nassau, Bahamas: Panama City, Avenida Balboa y Calle 43; Singapore, Shing Kwan House, Shenton Way. Representative Offices: Bogotá, Buenos Aires, Frankfurt, Hong Kong, Jakarta, Madrid, Mexico City, Panama City, Rome, São Paulo, Seoul, Sydney, Tokyo. Merchant Bank: International Marine Banking Co., Ltd., 40 Basinghall St., London. Cable: Marmidbank. Member FDIC.

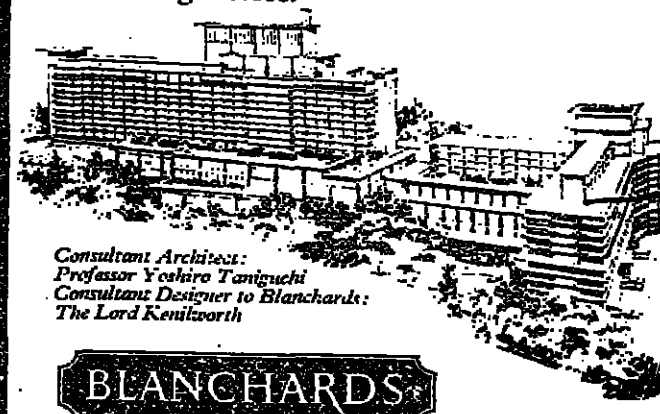


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Fairclough work on Glasgow motorway

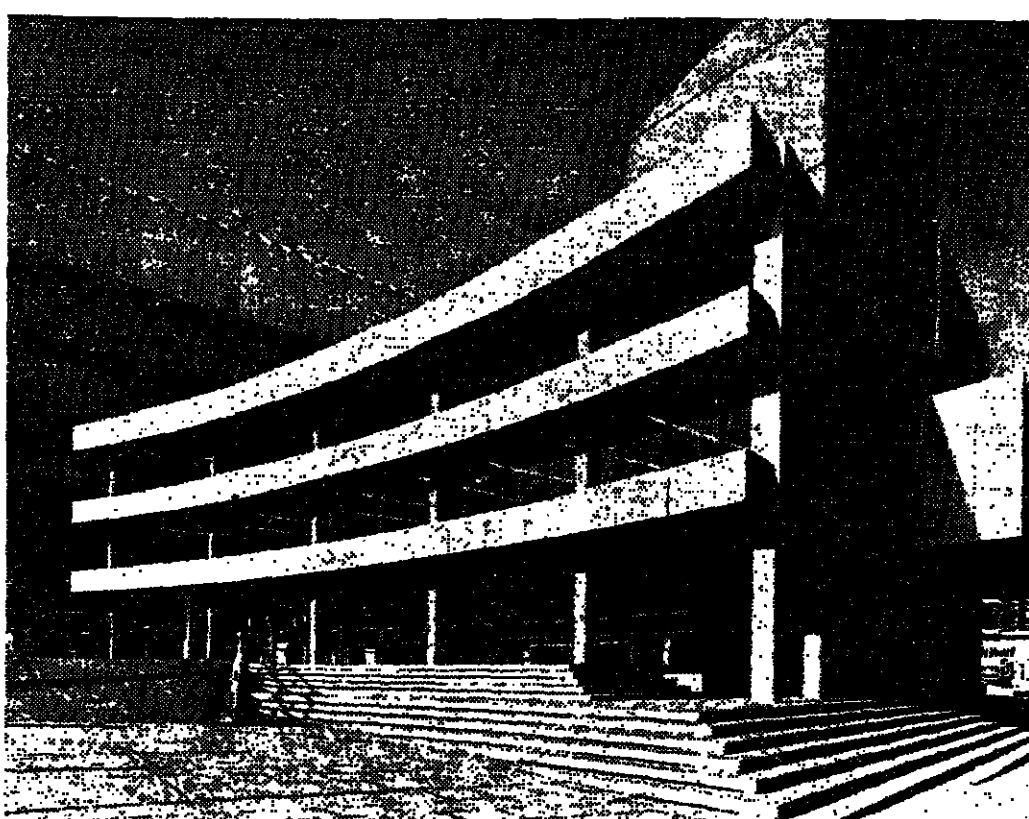
N £11.5M. contract for the completion of the M8 motorway as it passes through the centre of Glasgow has been awarded to the Leonard Fairclough Group by the city corporation.

This second stage of the Renfrew motorway will close the final link in the M8 and when completed which should be in the autumn of 1976—will provide a through motorway route from the Edinburgh Road on the east of Glasgow to join the completed sections to the west of the city towards Paisley, the City Airport and beyond.

Work on the 3.4 kms. section, in which the Adlington and the

Scottish Civil Engineering Division of Leonard Fairclough are combining their resources, will begin on site in early January. Consulting engineers are W. A. Fairhurst and Partners of Glasgow.

The contract provides for dual three-lane carriageways to urban motorway standard from the end of Stage One of the Renfrew motorway at Helen Street, extending to the Cardonald Interchange with the Clyde Tunnel approaches, and dual four-lane carriageways continuing westwards to link with the M8 Renfrew By-pass immediately east of the existing Hillington Road Interchange.



Birmingham's new Central Libraries, designed by the John Madin Design Group in association with the City Architect and built under a £4.7m. contract by Sir Robert McAlpine and Sons, is believed to be the largest non-national public library in

Europe. Providing 214,500 square feet of space, the library is the principal building in Paradise Circus, a comprehensive development on an island site in the centre of a major traffic junction in the city which also includes the recently opened School of Music.

Computer-aided building

THE GREATEST challenge and promise for the future of computer-aided building lie in the development of integrated systems, with the biggest obstacle development costs.

This is the main conclusion of a study of current trends in the field carried out jointly by Applied Research of Cambridge and Systems Programming in conjunction with the Department of Trade and Industry Computer-aided Design Centre.

The present state of the art, the report (price: £1.50) says, is such that only certain types of building are suitable for integrated systems—single-function buildings such as hospitals, repetitive buildings such as houses, and buildings erected from kits of parts such as schools.

In the longer term, however, "it may be expected that generalised integrated systems for the whole industry will be produced from the expertise

acquired in the development of tailor-made systems."

The report makes the point that the extensive benefits possible from integrated systems will only accrue in organisations where the traditional professional boundaries are less acute—local authorities, central Government and design-and-build contractors who maintain a large on-going building programme enabling them to cover development costs.

Two criticisms put forward of this approach were, first, the claim that the small builder can put up houses (for example) more cheaply because of his lower overheads; and, secondly, the desire of most clients for a "one-off" building rather than one "off the peg."

"But where an organisation is its own client and has a large on-going programme, the problems are fewer, though still daunting," the report adds.

In general, the growth of computer-aided building—for

which there is evidence of a healthy interest and awareness—will depend on three main factors: the willingness of management in all sectors of the industry to seize the opportunities and make use of the available expertise; the ability of the professions to realise that great change is underway and to adapt their attitudes to that change; and the co-ordination of sponsored research and development.

Anticipated developments in software applications are expected to have considerable impact on computer-aided systems. They include appraisal packages for the study of design decisions at an early stage and building science models to increase understanding of the environment of buildings, which will, in turn, lead to design of mechanical services systems, models of the whole financial costs of projects and integration of existing applications into packages.

Stainless steel bar

IMI ALLOY Steel, a subsidiary of Imperial Metal Industries, has produced a stainless steel deformed bar designed to overcome reinforcement corrosion which spalls concrete and can cause failure of structural elements.

The steel—which may also be used for high strength joining and as fixing details—is known as Xstabil 60+ and is being made initially in 12, 16 and 20mm diameter sizes, although further dimensions will be available in due course.

Produced at the Somercotes, THE DUTCH Betonvereniging, Derbyshire, works of IMI Alloy Secretariat, the equivalent of

Steels, the bar will be in full production early next year, ready to meet an estimated demand by the U.K. construction industry of more than 1,000 tons a year. It is also being made available in the other EEC countries.

Full details are obtainable from IMI Alloy Steels, Stainless Steel Division, Garmham Works, Somercotes, Derby, DE 4NL.

Dutch look at concrete testing

Representatives from Holland have visited the C and CA's Research and Development Station at Wexham Springs to see the way the service is organised. As a result, to indicate the likely need for such a service in Holland, 17 Dutch testing machines were checked against the C and CA's reference machine.

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U.K. to aid Sydney gas conversion

WILLIAM PRESS AND SON has been appointed to provide conversion expertise to the Australian Gas Light Company for the conversion of the Sydney metropolitan region to natural gas.

The company will provide technical consultation to the Australian team which will undertake the work over the next five years.

Press has been responsible for a large proportion of the natural gas conversion programme in the U.K. and among current contracts is working in the Central London area. The Sydney operation will be handled through the office of its wholly-owned subsidiary, William Press and Son (Pty), which has moved its headquarters from Melbourne to Sydney.

Biffa opens four new depots

AS PART of a plan to set up a nationwide industrial waste disposal service, Richard Biffa, part of the British Electric Traction Group, has opened four new depots and taken control of four established ones.

The four new depots are at South Croydon, Leighton Buzzard, Swanscombe and Pontypool. In addition, Biffa— which operated only within a 30 miles radius of High Wycombe before joining BET in 1971—has taken over responsibility for all waste disposal services previously controlled by Barrmill, an associate company; the former Barrmill depots are in Birmingham, Leeds, Lancaster and Stockton-on-Tees.

All Biffa services will be linked to the specialist treatment facilities available through Rechem International which, under phase one of a multi-million pound development programme, will shortly be opening the first of five U.K. waste treatment centres.

Full details of Biffa's services are available from the company at: London Road, Loudwater, High Wycombe, Bucks.

Clay for sanitary ware

A CHINA clay especially developed for use by the vitreous sanitary ware industry has been introduced by English China Clays of Cornwall.

The new clay, NSC, is a controlled blend of Cornish china clays and has more consistent rheological properties to simplify control of casting slips and to reduce production losses.

NSC was developed following English China Clays' detailed studies of the effects of varying casting concentrations of china clay on the performance of industrial slips.

The high casting concentration of NSC involves a reduced water requirement of the slip which, it is claimed, gives reduced drying costs, lower water content in the cast and less mould wear.

Flexible pvc plant

THE Sheet and Film Division of British Industrial Plastics (Turner and Newall) has revealed plans for its Bramham Works, near Manchester, Essex, which include the provision of a new flexible pvc calendar line at a cost of nearly £1m.

This equipment, of British manufacture, will be installed during the first half of 1975, and will make a range of flexible pvc sheeting for markets such as the car industry, stationery products, medical and child care accessories, and packaging.

In brief

SIMON-CARVES reports that its Sim-Chem division has won a £2.65m. contract from Singapore Chemical Company of 10m. to design and supply a sulphuric acid plant.

Simon-Carves is a subsidiary of Simon Engineering.

ERECTION HAS begun of a Post Office radio tower, designed by the Property Services Agency of the Department of the Environment and commanded by the Royal Fine Arts Commission, on Tinsford Hill, near Folkestone.

WORK HAS started on a £400,000 contract awarded to John Laine Construction to build a new housing complex for Shepherds (Widenerne) at Bowness Bay on the edge of Lake Windermere.

MANCHESTER Corporation's Waterworks Department has awarded a contract to United Filters and Engineering of Mitchenham (a member of the Pollution Control Division of Babcock and Wilcox) valued at £345,000 for the supply and installation of a 10m. gallons per day automated pressure filtration plant.

THE BRITISH Gas Corporation has awarded a £250,000 pipelaying contract for natural gas in Glasgow to Norwest Construction, a member of the Norwest Holst group.

SHEPHERD CONSTRUCTION has been awarded by York Corporation a contract worth almost £800,000 for the building of a new swimming pool with separate diving pool on part of the site of the former cattle market bounded by Paragon Street, Barbican Road and Kent Street.

Cementation wins shipward work

£15m. contract for the phase 2 redevelopment of the shipyard at Sunderland, Co. Durham, has been awarded to Cementation Construction.

The work comprises the preparation of the site, construction of roads, drainage and service tunnels, and the construction of a new substation so that shipbuilding activities can continue without interruption while a dock assembly hall and other facilities are constructed.

consulting engineers, in association with Kennedy and Donkin, to provide consultancy services for the Bowatenna Power Project in Sri Lanka.

The U.K. consultants will assist and advise the Ceylon Electricity Board and the Engineering Studies Organisation of the Mahaweli Development Board in implementing the scheme, which includes the construction of a 40 MW power station in the Mahaweli Ganga basin, over a period of about three and a-half years.

The foreign exchange cost of the project, amounting to about \$US8m. out of an estimated total cost of \$US17m. is to be financed by the Asian Development Bank. This is the first power project in Sri Lanka for which the bank has made a loan.

The consulting services contract was awarded following submission of proposals by Canadian, Japanese, Indian and other U.K. firms.

Halcrow for Sri Lanka project

AN AGREEMENT has been signed between the Ceylon Electricity Board and Sir William Halcrow and Partners,

Cubitts to build city offices

A £13m. contract for an office development at 5-11 Fetter Lane, London EC4, has been negotiated between Holland, Hannen & Cubitts (Southern) and Consolidated Securities, a wholly-owned subsidiary of London and County Securities.

The scheme is a seven storey office block with basement restaurant, a sub-basement car park and plant rooms. Externally, the building—which will occupy a 46m frontage along Fetter Lane and will provide 3,800 square metres of air-conditioned office accommodation—will present an unusual design, having a 1.3 metre cantilever at second floor level with the floors setting back from the fifth floor rearwards.

Completion of the project, to be set back from the existing building line for future road widening purposes, is scheduled for December, 1975.

A STUDY OF THE BUILDING INDUSTRY WAGE STRUCTURE

This report which was prepared by Professor R. Pither and his team from the Department of Building, The University of Manchester Institute of Science and Technology, also an in-depth look at the problems both now and in the future which confront the building/construction industry.

Copies are available from the Institution which commissioned the study.

IPC Building & Contract Journals Ltd., 22, Southwark Bridge Road, London SE1 9EX. Registered Number 13076. The price is £2.50 including P. & P.

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EDITED BY JOHN TRAFFORD

The Executive's World: The Office

For more pay and longer hours, apply abroad

by Pamela Readhead, in Paris

THE recent flood of British girls applying for £4,000 a year jobs in Luxembourg shows two things—the keenness of English girls to move into Europe and the fact that most are ill equipped to do so.

Perhaps standards in large international organisations are especially high. Certainly they tend to pay better and provide more fringe benefits than the local office or factory down the road in Brussels, Paris or Geneva.

But what of the less glamorous jobs? How do British rates in the eyes of their European equivalents? And what is it like to hop on the metro to Madeleine instead of Cannon Street?

The first time I met a short-hand typist who had worked in both London and Paris was on a plane last Christmas. Having offered me some port, cold plum pudding and Cheddar cheese, she accepted a large Scotch whisky, launched into eulogy on her easy life in her French company's London office.

"I am supposed to start work at 9.30 a.m.," she began, but no one says a word if I walk in at 11.

"In Paris it was 8.30 a.m.," on the dot, and a lot of trouble if I was late.

"In London we have coffee at 10.30 a.m. and a nice chat. Then we do a little work until 12 when we usually start tidying up before going out to lunch."

"In Paris we work hard until 1 p.m. and then we have one hour off. Then we work hard until we go home at 5.30 p.m. I often used to work late."

In London I usually take an hour and a half, especially if I go shopping. Then at three we have tea. After tea I work fairly hard until 5.15 p.m. when I start to do my hair before I go home."

At 18 Marie Louise had already decided that although she made less money in London, life was more fun.

Best paid

A more ambitious girl, Dany, spent four years in Birmingham working first as a telephonist and then in the export departments of several large companies. Now after ten years of career planning she is among the best paid secretaries in Paris (she earns between £3,900 to £4,500 a year but is too shy to be more precise). She looks back on her Birmingham experience with much the same feelings as Marie Louise.

"What I remember most," she said, "is how shocked I felt at first when the girls rushed home at night without finishing the letter they were typing."

Dany is now an executive secretary with a newly arrived British property company in Paris. Elegant, rather dolly, she vibrates with efficiency, switching languages effortlessly. On her job is to co-ordinate a small but fast moving team of execu-



Marie Louise

She vibrates with efficiency, switching languages effortlessly.

lives, but she also finds herself acting as telephonist and general factotum.

"She liked working in England. It was so relaxing," she says, and although she found Birmingham secretaries rather unambitious, Dany thinks this might be because the companies where she worked were so large that it was difficult to take responsibility.

Now Dany has been joined in her office by a 27 year old English girl called Hilary who has equally strong feelings about French offices.

Hilary first came to France to work for a year when she was reading French at London University. Since then she has worked in a number of offices including Pierre Cardin and a computer company.

"I think most French offices are unenlightened," she says. "Bosses treat their secretaries like chattels. Physical conditions? Well, chickens in a battery sums that up."

Hilary also thought the hours were tough. "I did a week once where we worked flat out from 8.30 a.m. to 6 p.m. with one hour off for lunch. The pay was good, but you have no freedom."

As assistant to one of the Paris. Elegant, rather dolly, she vibrates with efficiency, switching languages effortlessly. On her job is to co-ordinate a small but fast moving team of execu-

locksmiths and things," she said, with a very friendly and her

Helen turned down an offer of £2,400 in Edinburgh to work in Paris with PA Management Consultants. She had already worked for the company in Scotland and quite simply had itchy feet.

At 20, she has already spent a year as an au pair with a French family, so her language problems have not been serious. Her job is to type management studies in English and to correct English correspondence. Almost everybody else in the office, including the consultants, is French.

Helen finds her French bosses more punctilious than back home in Edinburgh. "It's very strict," she told me, and remembers off for lunch. The pay was good, but you have no freedom."

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boss was very sympathetic when she was checked by her first French landlord.

Que of the things which amazes English girls is the reluctance of French girls to share flats. Helen eventually found a German girl willing to go halves but all the other girls she has met either live with their parents or can afford to live in a studio of their own.

Her main problem is money, and it is the reason she has now given in her notice at PA. The new job at UNESCO, where Helen will work for a Russian consultant, will pay over Frs. 2,000 a month compared to the Frs. 1,600 she is already getting.

Helen likes the fact that French salaries are based on a 13 month year, and that holidays are generally 5-6 weeks, but she points out that her Frs. 650 luncheon vouchers will buy hardly anything in the area where she works. Just by the Museum of Modern Art.

Seasonal factors have made some impact on some of the depressing figures quoted by the agencies. Now, for every girl registered on Alfred Marks' books, only eight jobs are being registered. This compares with one girl for every 15 jobs in May, the height of the open season for changing jobs.

The narrowing of this gap has done nothing to help reduce the vacancies. Many City institutions, for example, have been looking for shorthand typists since the beginning of the year, and with the Government's counter-inflation measures meaning they cannot increase pay, there is little hope of filling the jobs.

Only on the temporary side has the outlook become brighter. The 7,500 shortfall of temporary staff in the London area this summer has now been cut to under 1,000. But this compares with a normal surplus of temporary girls at this time of year and does not mean the greater demand on the temporary pool as a result of the shortage of permanent labour.

The reasons for the shortage are twofold: the expansion in the economy has meant that demand has increased at a time when the potential number of girls coming into the business was at its lowest for many years. For the last three years the work force has been shrinking because of the fall in the birth rate in the late Fifties. This year the shortfall

was worsened by the raising of the school leaving age. In this situation, says Bernard Marks, chairman of the Alfred Marks Bureau, the quality of applicants for any one job naturally declines, and the complaints about paper agencies seem to rise in direct relation to the increase in demand.

Just as you can't make bricks without straw," he says, "you can't really preselect girls for a job when you haven't got a pool of girls to choose from. We've got a basic raw material problem, like many other industries."

Lack of preselection is not the only complaint heard from personnel directors though it is one of the few criticisms which the agencies themselves are prepared to admit may be valid under today's market conditions. Many employers, however, complain that temporary agencies encourage girls to move around as a means of increasing their own commission.

The established agencies all deny this charge, arguing that the commission earned by an interviewer on a temporary placing is not enough for a girl to put her job with an agency at risk. The big agencies all say they welcome the Government's enabling legislation aimed at controlling the practices of agencies and which, when it comes into force in the spring, will make it illegal to lure girls away from their jobs.

But however strongly employers may feel about the shortcomings of some agencies, the profits now being forecast by the public bureaux like Alfred Marks and the Brook Street Bureau, indicate that these agencies at least continue to provide a service employers cannot do without. Given the alternative costs of about £200 a head for advertising for a secretary, the agency's average placement fee of about £100 is still significantly cheaper—if they can find a girl.

But even Bernard Marks thinks that some companies do not do enough to help themselves. "The best way to find a girl is to offer your existing staff a bonus of, say, £20 so that they bring in a friend or persuade a temporary secretary to stay on."

THE shortage of permanent secretarial staff is now even more serious than in the summer when the situation was described as "the worst for eight years." The backlog of jobs unfilled in the summer means that the total shortfall of secretaries has risen another 10 per cent.

It also means that, with employers forced to take on more temporary workers, the profits of the big secretarial agencies are rising to record levels against a background of constant criticism of the service they offer.

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SECRETARIES

The shortage grows

BY ELINOR GOODMAN

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Lack of preselection is not the only complaint heard from personnel directors though it is one of the few criticisms which the agencies themselves are prepared to admit may be valid under today's market conditions. Many employers, however, complain that temporary agencies encourage girls to move around as a means of increasing their own commission.

The established agencies all deny this charge, arguing that the commission earned by an interviewer on a temporary placing is not enough for a girl to put her job with an agency at risk. The big agencies all say they welcome the Government's enabling legislation aimed at controlling the practices of agencies and which, when it comes into force in the spring, will make it illegal to lure girls away from their jobs.

But however strongly employers may feel about the shortcomings of some agencies, the profits now being forecast by the public bureaux like Alfred Marks and the Brook Street Bureau, indicate that these agencies at least continue to provide a service employers cannot do without. Given the alternative costs of about £200 a head for advertising for a secretary, the agency's average placement fee of about £100 is still significantly cheaper—if they can find a girl.

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Alfred Marks, for instance, now has over 5,000 girls on his books for Central London against about 6,000 in May. And this at traditionally the quietest time of the year with girls staying in their old jobs rather than risk missing the Christmas party.

Seasonal factors have made some impact on some of the depressing figures quoted by the agencies. Now, for every girl registered on Alfred Marks' books, only eight jobs are being registered. This compares with one girl for every 15 jobs in May, the height of the open season for changing jobs.

The narrowing of this gap has done nothing to help reduce the vacancies. Many City institutions, for example, have been looking for shorthand typists since the beginning of the year, and with the Government's counter-inflation measures meaning they cannot increase pay, there is little hope of filling the jobs.

Only on the temporary side has the outlook become brighter. The 7,500 shortfall of temporary staff in the London area this summer has now been cut to under 1,000. But this compares with a normal surplus of temporary girls at this time of year and does not mean the greater demand on the temporary pool as a result of the shortage of permanent labour.

The reasons for the shortage are twofold: the expansion in the economy has meant that demand has increased at a time when the potential number of girls coming into the business was at its lowest for many years. For the last three years the work force has been shrinking because of the fall in the birth rate in the late Fifties. This year the shortfall

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Rank-Xerox copiers face a challenge

BY ROY LEVINE

IN A move that could have significant implications for the plain paper copier market, dominated by Rank Xerox, now subject to an investigation by the Monopolies Commission—Kalle Infotec, the Hoechst subsidiary, has made its machines available for purchase (at £3,500 each) instead of just renting them.

Until now one could usually only rent plain paper copiers. The copying market in Britain for all types of machines is worth about £100m. a year. About three-quarters of the market is made up of 95 per cent. of that market is controlled by Rank Xerox, the U.K. associate of Xerox Corporation in the U.S.

In May this year the Monopolies Commission announced it was investigating the plain paper copier market. In August it rejected Rank Xerox's plea to widen the scope of the investigation and redefined the type of machine being investigated as indirect electrostatic reprographic equipment to make it clear that stenciling and other machines should not be covered by the probe.

Vast market

The plain paper market is the newest and fastest growing part of the reprographic industry and is seen by some as a vast untapped market still waiting to be opened up.

Kalle Infotec started marketing in the U.K. in June but initially offered its copier only on a rental basis. Other companies supplying plain paper copiers include IBM, Gestetner, Agfa-Gevaert, 3M and Nashua Copystar.

In launching the new marketing plan last week, Mr. M. Illis, marketing manager of Kalle Infotec, said, "It is a remarkable fact that up till now the place of office equipment which has been impossible to buy in a high quality medium volume plain paper copier. The available for sale have all carried a prohibitive price low volume requirements."

The price structure of Infotec 1,000 was designed to be the users in the



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Last try for credit control

IT IS now two weeks since short-term interest rates raised in this country to unprecedented levels, but nothing has happened since then to suggest that the new regime will give the desired check to credit expansion either quickly or automatically. On the contrary, the banks appear to be imposing a kind of self-discipline on lending, in order to produce the results which the system has so far failed to produce on its own. Meanwhile, in consultation with the authorities, they are intensifying their efforts to check "round tripping" — arbitraging in the money markets.

Will-power

The banks are thus trying by sheer will-power to produce the effects which were supposed, under the philosophy which underlies the present system of competition and credit control, to arise automatically from the workings of the market. By policing their customers they hope both to restrain the growth of credit for spending — the monetary component in demand restraint — and to check the operations which have so heavily distorted the monetary statistics. If they achieve this feat (though King Canute would have advised against the attempt) we will have a satisfactory economic result, with satisfactory numbers for evidence. Though such a result will not prove that a free credit market can be managed as the authorities originally intended, it will at least show that credit restraint can be imposed without formally abolishing the free credit market.

This benign deception, as it is widely realised in the City, is effectively the last chance for the present system; and it does not, unhappily, look a particularly hopeful one. The oil crisis seems bound, before long, to distort the normal flows of cash, creating new demands for bank accommodation which it might be dangerous to resist. The coming tax quarter, and the

Not final

This means that a suspension of the present rules of competition and credit control — already widely breached in spirit — need not imply a final judgment. It would be rather a postponement of the experiment until conditions are more favourable. It is to be hoped, then, that the authorities will not feel compelled to

Insurance

Financial
Times
Survey

The industry's eventful year

By ERIC SHORT

The experience of last year was, on balance, a good one for Britain's insurance industry. Underwriting results continued to improve and there were signs that the industry was coping with the effects that inflation had on its performance.

Indeed, Lloyd's produced another set of record figures and the picture for the immediate future continues to be bright. The British Insurance Association's member companies turned in another overall underwriting profit on fire, accident and motor business. This profit was 1.6 per cent. of premiums against 0.6 per cent. of 1971, the first underwriting profit recorded since 1967.

Life assurance continues to go from strength to strength, making a vital contribution to the growth in savings generally. New sums assured reached £16,000m. for the first time to show a rise of 19 per cent. There was a substantial increase in overseas business.

New annual premiums in life assurance moved up to £449m. from £348m., a 29 per cent. increase, while single premiums in 1972 doubled to £632m. against £315m. This phenomenal increase was mainly unit-linked bonds and guaranteed income bond business and illustrates the tremendous impact the new offices had last year.

Now that the U.K. is a member of the EEC, the industry is now facing directly the opportunities and problems that such membership entails. Last year's survey dealt with the possibilities that proposed membership would give. These are now realities, but the industry is not going to change everything overnight. A lot of insurance business is long-term and long-term is the outlook to be adopted in looking at the market opportunities.

These opportunities arise from the potential in a very enlarged market and the chance of using the expertise acquired by the industry over the years which has made and kept London the world capital of insurance.

The problems to be faced arise from the regulations to harmonise the legislation and rules under which insurance is carried on within the member countries. These problems look extremely formidable, if not insurmountable. Insurance business in most, if not all, Continental countries aims to dictate comprehensively and in detail the way in which insurance business is carried on.

Against this, Britain is the foremost country, despite recent legislation, operating on minimal interference with the running of the industry. Legislation here is designed primarily to ensure overall solvency.

Hands down

This difference in operation has inevitably produced a difference in outlook in the employees of the insurance industry. Which approach is best, arguable, but if results are the criteria, the U.K. method wins hands down.

Fortunately, the period required to achieve complete harmonisation is quite long and very flexible. The changes will be progressive rather than sudden. Thus there should be ample time to understand both viewpoints and hammer out an acceptable compromise. What is essential is that no regulation should be so restrictive that it inhibits the growth pattern of the insurance industry or restricts the strong international interests of the U.K. insurance industry.

Within the U.K. itself, the

insurance industry has been having its share of domestic problems to cope with. First, there has been the Insurance Companies Amendment Act, 1973. The Amenity of the Vehicle and General, together with earlier crashes, showed clearly the need to re-examine the operating conditions within the insurance industry.

The Government outlook on this subject still can be summed up in the phrase "Freedom with publicity." As such the industry welcomed the provisions of the Act, although the details of disclosure required still have to be decided upon.

The legislation will mean that insurance companies can carry on much as before. But the authorities will now be able to move in and investigate the doubtful case very much earlier and take appropriate action in the potential crash case while there is still time for effective action.

Next, there was the publication of the Scott Report. Although it related to unit-linked life assurance, much that was said was relevant to the whole industry. This is particularly so in the nature of advertising and consumer selling. Although the subject has been well discussed, separate articles on its implications and those of the Act are included in this survey.

Still in the political field, insurance has not escaped the nationalisation shopping list of the Labour Party proposals. The final list has still to be prepared, but the reasons and arguments put forward for the nationalisation of a thriving industry which has not failed the community lack conviction.

No doubt more will be heard on this subject as the time for a general election approaches. But the campaign of the Labour Party does show the need for

the insurance industry to maintain the high standards achieved in the past and co-operate fully with the authorities in making the industry fully secure and solvent.

Motor premiums

On the home economic side, the industry has not escaped the tolls of Stage I, II and III. Motor insurance has been the sector in the industry most affected by this. Certain major composite offices have had their requests for premium increases severely modified. For a sector that is very vulnerable to the ravages of inflation, this rejection will probably turn out to be a serious setback.

The full implications are considered in the article on motor insurance. This sector has a long stormy period ahead of it, with no sign of reaching a break-even point in the foreseeable future. This comes hard compared with a year ago when that elusive point seemed to be within reach.

For in 1972 the underwriting losses in the U.K. for motor insurance were down from £25.5m. to £3m., the best figure for years. This dramatic improvement was the result of setting more realistic rating levels. There was certainly grounds for optimism here, but we shall have to wait for this year's results to see the effect of the premium limitations.

Motor insurance remains the black spot in the overall picture of underwriting results in 1972. The loss on worldwide results was £12m., a big improvement from the 1971 loss of £29.8m. The U.S. results showed a healthy jump in profit to £9m. from £6.4m. the previous year.

But the rest of the world went back with a loss of £18m.

against a loss of £10.7m. in 1971. But the results so far for 1973 show a reversal of this improving overall trend. A reappraisal is needed in motor insurance with more attention being paid to claims. The BIA is giving a firm lead in this respect.

As shown by the accompanying table, the underwriting results of the fire and accident sectors were extremely good. Worldwide they improved to a £34m. profit from £42.2m. in 1971. Of this, the U.K. results provided £48m. (up from £40.6m.) and the U.S. £12m. (against £15m.). The rest of the world had a loss in these sectors of £8m. compared with a profit of £0.1m. in 1971.

Thus the rest of the world turned out to be the drag on underwriting profits in 1972 in all sectors with an overall loss of £24m. against £10.6m. of the previous year. The areas most responsible for this deterioration were Australia, Canada and Western Europe.

The causes for this illustrate the constant battle in which insurers are engaged overseas with adverse conditions. For instance, in Australia the market was particularly hit by retrospective legislation which increased amounts payable under workmen's compensation benefits. Naturally in cases like this there will be a time-lag on recouping such losses by increased premiums.

This was the only blot in the otherwise rosy picture for 1972. Underwriting profits were £42m. (£19.624m. in 1971). A proud record, but one which is not publicised to any great extent.

The policing of the industry, if one can use that term, Continental insurers are already starting to come to the U.K. Department of Trade and Industry, with the full co-operation of the individual companies. The BIA, being a trade association, active steps to get the insurance

WORLDWIDE GENERAL PREMIUM INCOME 1971 AND 1972—(£m.)

	1972	1971	% increase
World total	1,399	1,337	19.6
Fire & accident (non-motor)	985	814	22.2
Motor	268	250	7.2
Marine, aviation & transport	268	250	7.2
Total	2,862	2,401	19.2

NOTE: These figures include business transacted by specialist reinsurers, which is not included in subsequent tables.

WORLDWIDE UNDERWRITING RESULTS 1971 AND 1972—(£m.)

	1972	1971	% of	1972	1971	% of
	Premiums	Profit/loss	premiums	Premiums	Profit/loss	premiums
Fire and accident	1,549	+54.0	+ 3.5	1,294	+42.2	+ 3.3
Motor	989	-12.0	- 1.2	810	-29.8	- 3.7
Total	2,538	+42.0	+ 1.6	2,104	+12.4	+ 0.6

U.K. UNDERWRITING 1971 AND 1972—(£m.)

	1972	1971	% of	1972	1971	% of
	Premiums	Profit/loss	premiums	Premiums	Profit/loss	premiums
Fire and accident	567	+48.0	+ 8.5	481	+40.6	+ 8.4
Motor	384	- 3.0	- 0.8	296	-25.5	- 8.6
Total	951	+45.0	+ 4.6	777	+15.1	+ 1.9

U.S. UNDERWRITING 1971 AND 1972—(£m.)

	1972	1971	% of	1972	1971	% of
	Premiums	Profit/loss	premiums	Premiums	Profit/loss	premiums
Fire and accident	420	+12.0	+ 2.9	370	+ 1.5	+ 0.4
Motor	251	+ 9.0	+ 3.6	227	+ 6.4	+ 2.8
Total	671	+21.0	+ 3.1	597	+ 7.9	+ 1.3

REST OF THE WORLD UNDERWRITING 1971 AND 1972—(£m.)

	1972	1971	% of	1972	1971	% of
	Premiums	Profit/loss	premiums	Premiums	Profit/loss	premiums
Fire and accident	562	- 6.0	- 1.1	443	+ 0.1	+ 0.0
Motor	354	-18.0	- 5.1	287	-10.7	- 3.7
Total	916	-24.0	- 2.6	730	-10.6	- 1.5

message over to the general public. Sensibly, they are making a big effort in the schools, where the curriculum of many is being extended to cover topics such as personal finance.

The educational films that the BIA have made available and the educational packs which cover most aspects of insurance go a long way to projecting the image of the insurance industry. For in the past the concern has been on building up that image. Now is the time to show just what the industry does and how it does it.

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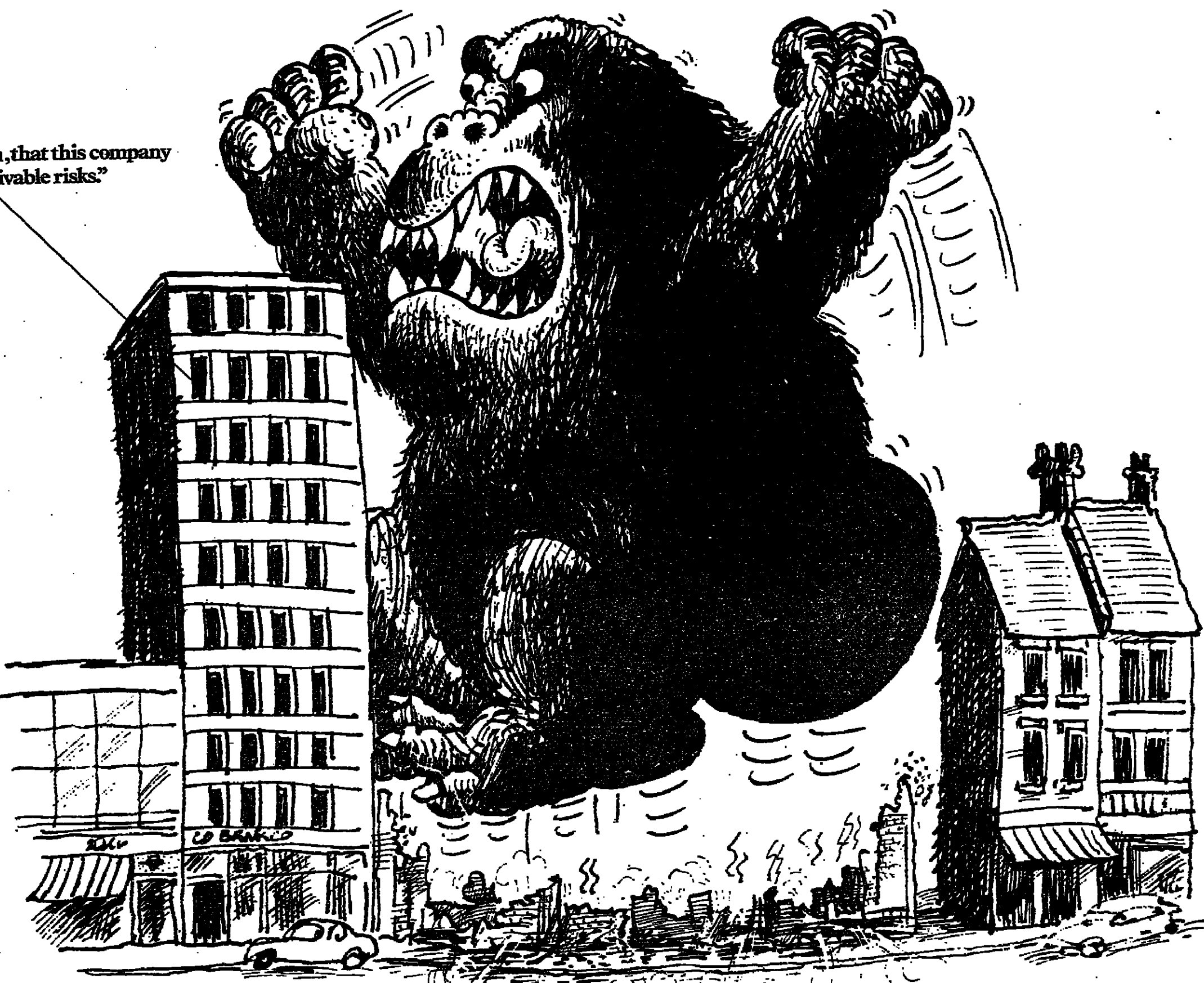
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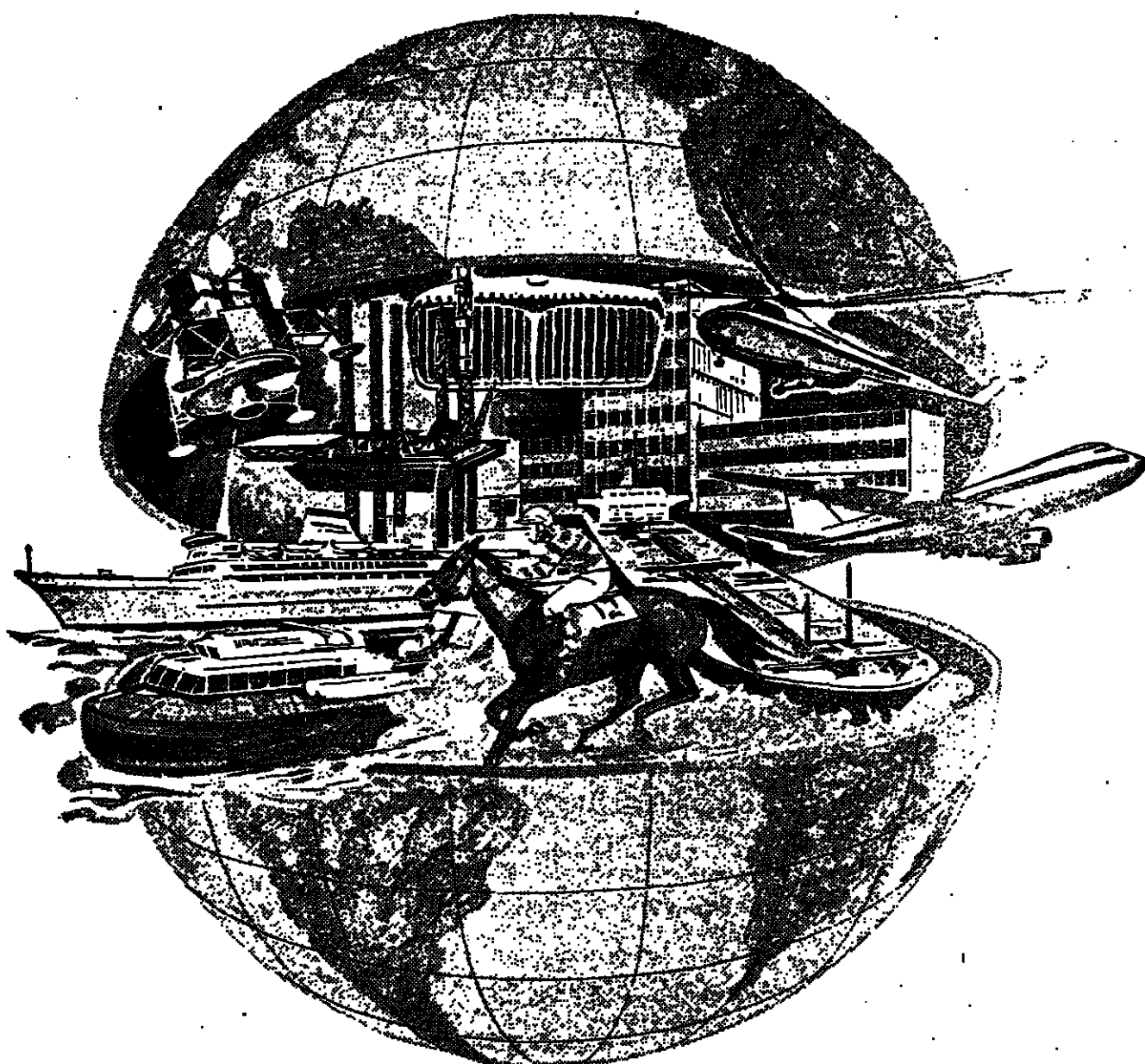
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INSURANCE II

Warm welcome for new legislation

By MICHAEL BLANDEN

It must be fairly rare for an industry to give a warm welcome to new legislation providing a Government department with extensive discretionary powers over its operations, as happened with this year's wide-ranging changes in the insurance law. From the time the Bill was first published in January, it was assured of the support of the insurance industry.

A substantial number of amendments were made in the original proposals as the Bill went through Parliament, including the clauses introduced later to bring in the major recommendations of the Scott Committee on property bonds and equity-linked life assurance. But only one major aspect of the Bill—the Department of Trade and Industry's powers to exclude an individual from running an insurance company as "not a fit and proper person"—occasioned any substantial controversy before being changed. The result has been a piece of legislation which considerably increases the extent and the flexibility of the powers at the DTI's command in its efforts to uphold the protection of policyholders and prevent a repetition of past disasters.

In putting forward the new legislation, the Government had started with the advantage that its proposals had been drafted after extensive consultation with the industry. These had been an important part of the review of the insurance law which was started in 1971 in the wake of the collapse of Vehicle and General. Following that event, there was no disagreement that the protection offered to policyholders by the 1958 Insurance Companies Act and the 1967 Companies Act needed to be strengthened further. The V and G situation had made it clear that in spite of the increase in the DTI's powers in 1967, following the earlier spate of frauds and collapses in motor insurance, the supervisory system still had weaknesses.

Further controls

The same events also brought out the fact that any further controls would have to be imposed and exercised by the Government. The British Insurance Association had made it plain that membership provided no guarantee of the solvency of a company such as V and G—nor any special protection for policyholders in the case of difficulties. In effect, the BIA firmly passed the responsibility back to the DTI, while giving full co-operation in any new measures. The DTI itself had been strongly criticised during the investigations which followed the V and G problem, and at one stage it looked possible that the basis of the insurance legislation might be fundamentally altered to reduce the element of discretion given to the authorities in the previous Act by setting up detailed financial rules for insurance companies to follow.

In fact, however, the new Act

has not done this. The legislation retains, as the Government made clear, the principle of "freedom with publicity" which has underlain the approach to control of the insurance industry in the U.K. This leaves the insurers free to fix premiums and policy conditions and to invest their reserves as they think fit, but requires them to make prescribed information available to the DTI and to the public to enable them to form their judgment of a company's financial condition.

Third reason

The approach is in considerable contrast to that in some other European countries, and to some of the ideas for harmonisation which have been coming out of Brussels, but it provides a third reason for the industry to welcome the attitude behind this year's new law. As Lord Limerick, Parliamentary Under Secretary of State for Trade and Industry, remarked at a conference this year: "Fundamentally we set out to tell insurers what they may not do, whereas in many other countries the insurer has to obtain specific approval for what he does."

Perhaps the basic weakness exposed in the previous legislation had been the inability, or unwillingness, of the DTI to act in time to prevent crashes like the V and G situation—a problem which the 1967 provisions had plainly failed to solve. The difficulty arose probably out of a combination of factors: some lack of the right information and of a clear definition of the grounds on which the DTI should start investigating a company; the fear that an investigation undertaken early could itself provoke lack of confidence in a company; and perhaps a shortage of staff of the right experience and quality in the DTI itself.

This year's provisions have been designed to remove these weaknesses. Lord Limerick said when introducing the Bill in the House of Lords: "These powers give a wide discretion to the Secretary of State to react quickly and flexibly to a threat of insolvency while there is still a hope of averting it by appropriate corrective action."

The new Act tightens up and redefines a number of the controls available to the DTI under the previous legislation, covering all the various aspects of supervision. It substantially improves the Department's powers of intervention in insurance companies. And it gives the DTI flexible powers to influence the development of the insurance industry, and to make regulations within the framework of the legislation. Perhaps even more important, the new powers have been backed up by a considerable increase in the expertise available to the Department. The number of officials engaged in the supervision of insurance has already risen from around 30 to about 80 in the past couple of years, and is expected to go up further

to around 100. At the same time, the effectiveness of one of the most important areas of supervision has been improved by the new power given to the DTI to use outside experts—accountants, for example—to conduct investigations into insurance companies on its behalf.

The main provisions cover control over entry into the industry, the initial supervision requirements, the continuing solvency and reporting requirements, and the Department's powers of intervention. On entry, the new Act gives the DTI power to vary the minimum financial standards required of a company seeking authorisation. It also defines more closely the people about whose "fitness" the Department must be satisfied, dividing them into "controllers," directors and "managers." A controller includes a managing director, chief executive or a person who alone or with associates of certain categories, controls at least a third of the voting power in the company. A manager is one who operates under the immediate authority of a director or chief executive.

A new requirement in this section is that prior approval must be obtained for the appointment of a new managing director or chief executive or for the acquisition of voting control of an insurance company, so that the fitness of the people involved may be considered.

On the initial supervision requirements, the new Act gives greater flexibility in the requirements which may be imposed, and extends their range to include, for instance, a limit on the amount of premium income that may be accepted.

In dealing with solvency requirements, the DTI has been given power to vary the amount of the required solvency margin. On life assurance business, the provisions in the earlier legislation designed to insulate life funds from other business and from the proprietors' funds have been clarified and tightened up. And the flow of information about insurance companies to the DTI has been improved, with a number of new features introduced in the accounting area. In particular, it gives the possibility of monitoring key items of information about insurance companies more frequently than annually.

It is in the area of intervention, though, that some of the most important developments have taken place. The main change in the new Act is that if any of the grounds for intervention is satisfied, the Department will be able to exercise whichever of the powers of intervention seems most likely to avert or reduce damage to the interests of policyholders. It will be possible, moreover, to apply several of the forms of intervention in a more discriminating way than was permitted by the powers as framed in 1967. This, it is intended, will

enable the authorities to intervene at an earlier stage with less risk of aggravating deterioration feared, while at the same time permitting requirements to be intensified if they do not lead to improvement in a reasonable time.

Mr. Anthony Grant, Parliamentary Under Secretary of State for Industrial Development, drew attention to the issue in a recent speech. The Act, he pointed out, envisaged precautionary action where there was a degree of uncertainty but no firm evidence to substantiate any immediate threat to policyholders. Underweight should not be placed on the existence of a supervisory requirement on a particular company, since misinterpretation of the DTI's actions could provoke a crisis of confidence. "Evidently the Department must feel able to take precautionary measures without risking damage to the companies concerned, else the purpose of the new Act will be largely frustrated," he said.

With these more flexible and more extensive powers of intervention it seems likely that official investigations into insurance companies will become considerably more frequent. To support these powers, the DTI will also have the ability to acquire more detailed information about the companies. In this connection, the Government's counter-inflation policy has given an extra side benefit: the work of supervising applications for premium increases has added to the DTI's load, but it has also produced a flow of information provided to help up the companies' claims which is recognised as a valuable addition to the Department's knowledge in exercising its supervisory role.

Strike a balance

The new legislation represents, as Lord Limerick argued, an attempt to strike a balance between the need to protect policyholders from fraud and incompetence, and the desire to avoid "putting insurers in such shackles that they can give an efficient, forward-looking competitive service both home and abroad." The approach adopted, essentially further development of the previous legislation, has the effect of giving the DTI a considerable discretion in the exercise of its supervisory role with the corollary that the success of the provisions will depend to a great extent on the skill with which the Department carries this responsibility.

Its first task, as Mr. Grant pointed out, has been to rework the affairs of more than 100 authorised insurers in the light of the new powers—a task which would take time but which was helped by the convenient fact that the new Act came into force shortly after most of the insurance companies were due to submit the annual returns to the Department at the end of June.

Corporate advertising played soft pedal

By KENNETH GOODING

Last year the U.K. insurance companies spent well over £4m. on advertising their services.

But the industry paid out very little to promote its "corporate" image through the British Insurance Association. That shows how times have changed because back in the late 1960s the BIA was spending up to £200,000 a year on its television advertising campaign. To this day people remember that campaign's slogan: "Get the strength of the insurance companies around you," which is an indication of its effectiveness.

The campaign came to an end about the time of the collapse of Vehicle and General, a BIA member company, leaving about one in ten of Britain's motorists uninsured. The BIA took no action over the V & G collapse—or that is how the situation appeared to the general public who got the feeling that "Get the strength of the insurance companies around you" now had a hollow ring to it.

Complacent view

Indeed, the BIA had consistently advised people only to insure with its members and was a little complacent in pointing out when there had been previous failures that the companies involved were non-members. The V & G situation therefore undermined its standing. Not many would argue with the view that the brickbats hurled at the BIA at that time would have been fewer and less

hurtful if, ironically, the television campaign had not been such a success.

These days individual members are content to see the overt advertising by the BIA cut to a few prestige "reminders" ads on special occasions. The BIA is, of course, still spending money on maintaining a public relations department which aims to put over the views of the members by contact with Press and television representatives as well as dealing with any questions from the public at large.

As for advertising, the thinking at the BIA seems to be that it is no longer necessary to remind people about insurance or assurance in Britain.

The law says a man must take out insurance on his car. The building societies insist that a house is insured before they hand out the mortgage money. Many companies cover their employees by one type of insurance scheme or another and the majority of people have some kind of life assurance once they reach the age of marriage and responsibility.

In this climate it hardly seems necessary to keep insurance in the front of the public's consciousness. More important is the problem of under-insurance, widespread in these days of inflation. But the BIA believes the best way to deal with this problem is for individual companies to remind clients about it by direct mail.

Once a man is on the insurance company's books it should be up to that particular company to remind him at regular intervals about the consequences of under-insurance.

Better deal

If the BIA's original idea was to promote the concept of insurance, to "make it more relevant and more personal," there are still some organisations who advertise with the intention of spreading an impression that their members can give the public a better deal in some way. For example, the Industrial Life Offices continues to advertise and the Corporation of Insurance Brokers is also urging the public to "go to a qualified broker."

Among many insurance concerns the view is that advertising by individual companies works for everyone as far as this "reminding" process is concerned. It must be true that a man reminded of insurance by an advertisement placed by, say, Guardian Royal Exchange, would probably seek the service he needs from the company he is already dealing with rather than GRE or if he has no insurance, he is likely just to turn into the office nearest his work or home rather than seek out a particular company.

"Corporate" advertising by the BIA was finally killed off by the break-up of the motor tariff arrangements between its members. Then some of them set out to be a little more competitive

than their rivals in the motor insurance "packages" they put on offer. During the break period there was quite a new promotional war between some of the companies.

Something else that happened about the same time was a decision by the bigger companies to let the public know just how reliable—and also reliable—they were. So there was a good deal of "corporate" advertising by individual companies in the belief there were a great many positive advantages to be gained from having a well-known name with a good reputation. They were also, the companies were convinced, positive disadvantages in being an insurance company not known to the public. Just a little wary about the collapse of V & G and other smaller motor insurance groups.

But now there is a feeling that the message has been hammered home sufficiently for companies to use their advertising budget to promote the "products." For example, Commercial Union, one of the big insurers, on "corporate" image building in the past, is the moment going for "theme" advertising. The current campaign aims at telling people about keeping fire risks under control. "If fire losses can be kept down, so can premiums," is the message.

So far the individual companies have only been testing the temperature of the water, as television advertising

Continued on next page

JPK 10150

INSURANCE III

Need to safeguard a most consistent currency earner

By PETER FOSTER

With the exception of a brief period after World War II, the U.K. has earned a surplus on its invisible trade with the rest of the world as far back as records go. Moreover this surplus has been of absolutely crucial importance to the overall health of the U.K.'s current account. As one can see from Table I on only three occasions in the last 17 years has the U.K. achieved a surplus on its visible trade, and in each of these years there has been a current account surplus. The significant point however is that in no less than nine of the remaining 14 years a visible deficit has been turned into a current account surplus by the advantageous balance on the invisible account.

To exemplify the magnitude of the contribution of the insurance industry to this surplus, a survey of the U.K.'s invisible account between 1956 and 1972, which was published in June of this year in the Bank of England's Quarterly Bulletin, points out that almost all of the increase in the invisible surplus between 1966 and 1971 was contributed by private services, and that the vast majority of this came from insurance companies.

However, because of the very consistency of the insurance companies overseas performance, and also due to their traditionally low profile, few people seem to be paying any attention to the very real threats which are facing their foreign earnings.

Main constituents

Before examining these threats and problems one should first examine the constitution of the insurance sector's overseas earnings. (See Table II.) There are four main constituents: (i) Home/Foreign business, which consists of marine, aviation and transit insurance written in the U.K. (ii) Lloyd's underwriting income, (iii) brokers' income, (iv) portfolio income. One can see that Lloyd's underwriting income is the most significant element, particularly if the portfolio element is stripped from the Home/Foreign business. Nevertheless it was this latter constituent which showed the largest increase between 1971 and 1972. Its 22 per cent. growth in overseas earnings compared with 9 per cent. for Lloyd's, 8 per cent. for portfolio income and just 5 per cent. for brokers.

One significant point is that Lloyd's figures are a three year average. This is because underwriting income is initially measured as the excess of pre-claims collected over claims paid out. However, since pre-claims collected cover unexpired risks to be carried into the future and claims settled against the future dollar moving back of premiums collected in a pre-

Table I. INVISIBLES IN BRITAIN'S CURRENT ACCOUNT—(£m.)

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Gross private invisible receipts†	1,817	1,915	2,011	2,028	2,117	2,185	2,297	2,405	2,558	2,780	2,899	3,148	3,724	4,219	4,826	5,350	5,751
Gross private invisible payments†	1,487	1,509	1,336	1,404	1,536	1,531	1,567	1,686	1,870	2,011	2,073	2,272	2,647	2,830	3,377	3,849	4,228
Net private invisibles†	+330	+406	+675	+624	+581	+654	+730	+719	+688	+769	+826	+876	+1,077	+1,389	+1,449	+1,501	+1,463
Net Govtmt. transactions†	-175	-144	-360	-355	-430	-496	-506	-515	-551	-581	-629	-635	-702	-801	-748	-725	-695
Total net invisibles (private and Govtmt.)	+155	+262	+315	+269	+151	+158	+224	+204	+137	+188	+197	+241	+375	+588	+701	+776	+768
Total visible trade net (exports - imports)	+53	-29	+29	-117	-406	-152	-102	-80	-519	-237	-73	-557	-659	-143	-9	+285	-685
Current account balance	+208	+233	+344	+152	-255	+6	+122	+124	-382	-49	+84	-316	-284	+445	+692	+1,061	+83

† Consisting of interest, profits and dividends, services and transfers. † For 1956-57 net Government transactions do not include the public sector element of interest, profits and dividends. These are included in private invisible transactions. Source: Committee on Invisible Exports statistics card—'Invisibles in Britain's Current Account (1956-72)'.
* Consisting of interest, profits and dividends, services and transfers. † For 1956-57 net Government transactions do not include the public sector element of interest, profits and dividends. These are included in private invisible transactions. Source: Committee on Invisible Exports statistics card—'Invisibles in Britain's Current Account (1956-72)'.

vious period, true earnings accruing in a period may be either over or understated.

The overseas earnings of the insurance industry were hit pre-1966 by an unusual spate of natural disasters, the last major one of which was Hurricane Betsy. Following this however the situation returned to normal and the industry was given a further boost by the sterling devaluation of 1967. Conditions continued buoyant until last year when the first signs of trouble appeared. The factors affecting overseas earnings can be divided into two broad areas; those over which the domestic industry has control and those over which it does not. In the first category come exchange rate movements and the state of the international market. In the second the overwhelmingly important factor is the likely effects on the U.K. insurance industry's overseas earnings of accession to the EEC.

A great deal of both underwriting and broking business is denominated in dollars, due partly to the position as an internationally acceptable currency, and secondly due to the fact that the U.S. represents by far the biggest single market in the world. The benefits to "City Invisible Earnings" of a sterling devaluation relative to the dollar are thus fairly obvious. This was, for example, certainly Lloyd's figures are a three year average. This is because underwriting income is initially measured as the excess of pre-claims collected over claims paid out. However, since pre-claims collected cover unexpired risks to be carried into the future and claims settled against the future dollar moving back of premiums collected in a pre-

Least optimistic

The pessimistic attitude of the insurers was well reflected in a recent survey of invisible earnings prospects carried out by the Committee on Invisible Exports. Of all the groups surveyed Lloyd's was the least optimistic. Not a single one of the marine and aviation respondents was more optimistic about either his own general outlook or his overseas prospects. The main limiting factor was unanimously declared to be overseas competition. The booming underwriting and broking profits of recent years have led to overcapacity in insurance markets, which in turn has led to growing competition and the increasing incidence of rate cutting. The level of profitability has, for example, brought many U.S. Life companies into the aviation reinsurance field, with a resulting loss of business for London and reduced premiums on what remains.

Perhaps the greatest threats come from an area where we have influence and where we shall have to use it if the U.K. insurance industry is not to be permanently damaged; and that is the EEC. Harmonisation could bring all kinds of problems in its wake.

Apart from premium taxes, to both a loss of earnings and which there is great domestic opposition, the only directive so far relates to non-restrictions on the setting up of cross-boundary insurance subsidiaries within the EEC, which is by no means a bad thing for the U.K. However, the real danger lies in the Commission's attitude to foreign insurers setting up within the EEC. London has benefited tremendously from the accommodation of large overseas offices eager to gain a piece of the mainly reinsurance action. Restrictions on their activities could lead to almost without a fight.

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Table II. OVERSEAS EARNINGS—(£m.)

	1968	1969	1970	1971	1972
Companies (home/foreign underwriting business and income on direct and portfolio investment)...	90	111	111	137	160
Lloyd's (underwriting and interest)*	74	105	156	188	206
Brokers	34	42	50	55	58
U.K. net insurance income overseas including portfolio income	198	258	317	380	424
U.K. net insurance income overseas excluding portfolio income	160	215	270	330	370

* Three-year average. Source: "U.K. Balance of Payments," 1973, HMSO, table 50, page 56, Insurance.

CONTINUED FROM PREVIOUS PAGE

Advertising

concerned. This type of promotion can eat up cash and it is easy to see just why companies should be wary about it. But London and Manchester tried a campaign on Southern Television last year and more recently brokers Anthony Gibbs promoted themselves in the London area.

At the moment the only company—as far as I can discover—which is running a television advertising campaign is Norwich Union. The company treats this as an experimental campaign conducted with the help of London Weekend television. In this case it is an extension of Norwich Union's corporate advertising intended to reach a slightly wider and different audience. Norwich links the addition of movement and sound can add a new and different dimension to the advertising it has already been doing to promote its name. "We're trying to give an impression of our organisation as well as letting people know our name," the way a spokesman explained the situation. Norwich Union also advertises two boards at Wembley stadium and has been doing so for three seasons, the only insurance company to take space at Wembley. Again is advertising is just a minder of the company name at Norwich Union frankly

admits that the idea is to let the name be seen right round the world during those occasions when international soccer matches are televised from the ground.

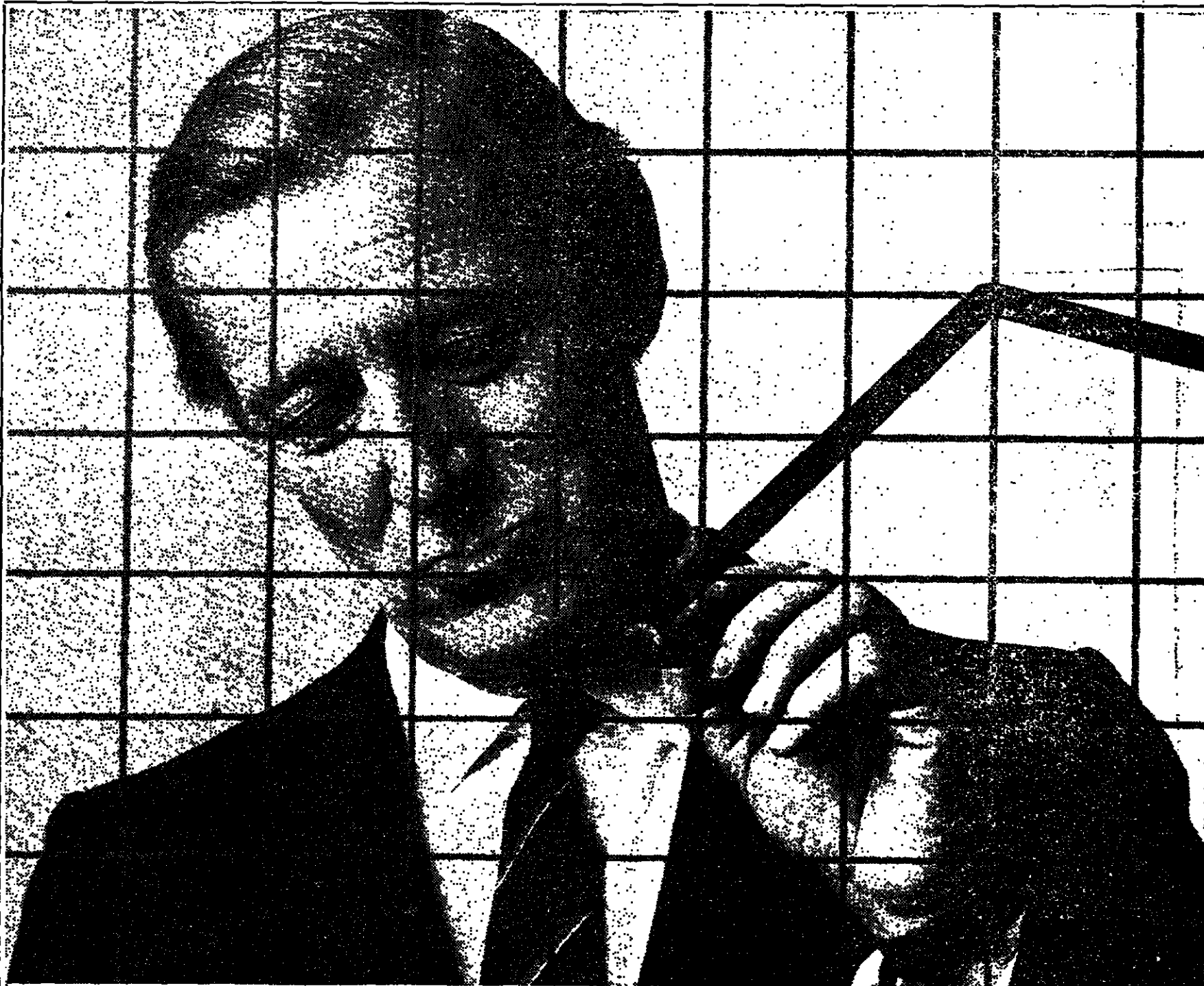
Co-operation between the individual companies will obviously still take place when it suits them. The most recent example is the Company Pensions Information Centre, set up by insurance-assurance concerns, and which is behind the controversial "Recom-Pension" campaign.

The Centre has spent more than £400,000 on publicity and will repeat this spending next year. Some 130,000 mailing shots have been sent out; there is a programme of conferences in major towns and cities; and a number of full-page advertisements have given the campaign its impact.

However, it is heartily disliked by many senior men in the insurance world because, they maintain, it seems to suggest that there is only one pension scheme called Recom-Pension. In fact there could be tailor-made schemes for nearly every company or there is the possibility of industry-wide schemes. Where the campaign seems to have scored, though, is that it has genuinely alerted employers to the need to decide about their pension schemes.

The size of this problem can be gauged by the fact that around nine out of ten of the 65,000 pension schemes currently in operation will need some adjustment in order to obtain official recognition. Urgency is important because the statutory date for beginning company schemes or opting for the State Reserve Scheme is April 6, 1975. Lord Byers, chairman of the CFCG, has commented: "I think the initial campaign has done its job in making employers more aware of their legal obligations. But we will now change the style of the advertising. I would like to make 1974 into 'Pension Year'."

Finally, a brief word about the Insurance Companies Amendment Act which received the Royal Assent in the summer of this year. This widened responsibility in connection with the advertising of insurance of all kinds. The new regulations apply to the form and content of insurance advertisements issued by "any" person. So brokers and other intermediaries will be just as much at risk as the insurers themselves if the advertising is at fault in some way. It seems, though, that the publisher will not be at risk unless he assists in the preparation of the offending text. But the advertising agent will have to watch his step.

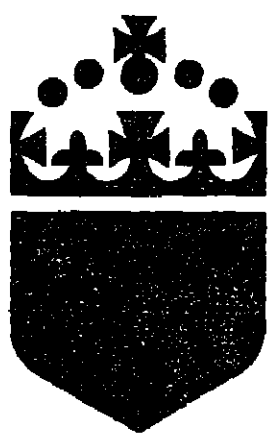


The Manager who profited from his losses.

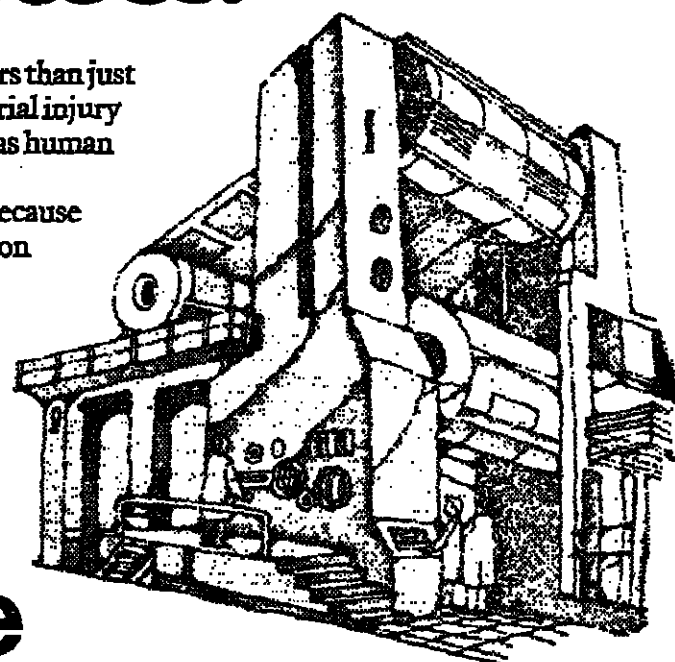
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INSURANCE IV

Prospects in the EEC...

By JEFFREY BROWN

On the face of things January 1 was just another academic milestone for the British insurance industry. Yet the day this country finally joined forces with the Common Market was of more than just passing significance for the U.K. insurer, or at least it was for the more far-sighted of that ilk. For the most part British insurance is taking Europe very seriously if playing its role in relatively low key. The prospects are undeniable. The European market is an expanding one, Britain can help in that expansion and in the process generate a fair share of the extra trade for herself. To this end the British Insurance Association has had a European Committee in operation for some time while the three main broking associations in this country have recently formed UKIBEC, the United Kingdom Insurance Brokers' European Committee.

First directive

British insurance is of course nothing very new to the EEC. Plenty of big composite companies in this country have been operating in Europe for years, and so too have plenty of brokers. But the signs are that the way is being paved for still greater participation by British insurance companies. In July this year the first real directive finally emerged from Brussels. This dealt with the right of insurance companies to set up shop in Europe outside their country of origin, and in this respect it has proved an important first step in the harmonisation of European insurance.

However, there is still a long way to go between now and total harmonisation and if nothing else this is one fact that everybody within the EEC agrees upon. Plainly there are many long years of painful legislation ahead of the Community. The present establishment directive, for example, will not be complete for perhaps another couple of years, and all it acknowledges is the freedom of establishment. From now on the real problems are likely to arise. Many European countries take a protectionist attitude towards insurance, injecting (by U.K. standards) a heavy element of supervision and control into the workings of their insurance industries.

Moreover, there can be large differences in trading style. Except for Holland and to a lesser extent France, insurance brokers as we know them are virtually unknown and in fact are illegal in Luxembourg. As for the actual business of insurance the differences stem largely from divergences of attitude or philosophy. On the Continent life insurance is looked upon by both insurer and the public as a means of protection against death whereas in the U.K. the main emphasis, at least in recent years, has been on savings.

At the same time it can be argued that as State pension and other social security benefits are usually higher on the Continent than in this country, the scope for the development of private life insurance plus pension business generally is perhaps more limited. In all European countries the major part of the insurance business undertaken consists of endowment and whole life assurances. Annuity policies taken out individually are found with relative infrequency among the majority of the EEC member states.

From the point of view of the British insurance company one difficulty lies with matching up to the investment laws of many of the European countries within the Common Market. In

certain cases a certain amount of the underlying assets of an insurance company have to be invested in the country concerned. There can also be local laws requiring insurance companies to keep a fixed percentage of their assets in foreign domicile. Obviously for an insurance company more aggressively concerned with investment performance—as perhaps the U.K. insurance industry is—such requirements can prove something of a disadvantage.

Decision making

However, it is apparent that there is a fairly high degree of flexibility on practically all areas of argument among all the countries within the European community and as far as the insurance industry in this country is concerned it is simply a matter of time before satisfactory compromises are reached by each partner in turn. The opportunities for expansion outweigh the short-term problems.

That opportunities for an expanding insurance market exist cannot be denied, and the present delays in harnessing its growth are probably a good thing from all points of view. They do at least provide each country concerned with an opportunity to contribute to the discussions and to share in the

decision making. And given the potential and the eventual rewards of greater integration the betting, in this country at any rate, is that the discussions will prove fruitful.

It is never very easy to draw up precise yardsticks on the subject of future potential whatever the subject matter. But some of the scope for future trading expansion in the context of say life insurance can be gauged from the relative sizes of the life assurance markets in this country and those among the original members of the EEC. Both in absolute terms and proportionately in relation to population sizes, life sums assured among the original six members were in 1970 just 40 per cent. higher than sums assured for the whole of the U.K. In that year sums assured in this country were a full 55 per cent. higher than those in West Germany.

Obviously certain reservations must be made before interpreting simple comparisons among sums assured in relation to some very differing domestic backgrounds and on a three-year-old basis at that. But comparisons are inevitably going to be made and what statistics there are do give positive encouragement.

Direct competition between British non-life and life insur-

ance groups and their continental counterparts is clearly going to become an increasing fact of life from now on. The non-life companies (the composites) are at something of an advantage since many of them already undertake considerable European business already. Such a tradition coupled with increasing competition leads inevitably to thoughts about cross-frontier marriages. Europe is still probably a long way away from outright mergers within its insurance industry but for a long time now many companies have lowered the national barriers to the extent of multi-national working arrangements. This is one line that the U.K. insurance brokers are currently pursuing through UKIBEC, which since its formation in January has managed to build up contacts throughout the whole of Europe. Based on a rotating 12-man committee the wholly autonomous body is intent on voicing in Europe the opinion of the British insurance broker. For the most part brokers as we know them in the U.K. are unknown with many countries working through agents tied to one insurance company. The British style broker it seems is determined to remain an integral part of any enlarged European insurance scene.

...and work to be done

By A. H. HERMANN

Of the entire field of legal harmonisation, the measures proposed to bring about a common market for insurance are probably the most important and their effect on business is likely to be felt relatively soon after their adoption. The initial period during which Continental and U.K. negotiators were warming up to each other—and testing the opponents' negotiating skill and stamina—has now come to an end. The talks have moved from the little controversial technicalities of the two directives on the

freedom of establishment for non-life insurance to the area of life insurance, freedom for cross-border services and screening rules for brokers and agents. It is in this area that the real test will come: many of the proposals seen so far would, if adopted, rather restrict the existing cross-border business by applying more stringent bureaucratic fetters. In contrast with the internationally orientated British insurers who thrive on the freedom to contract as they please and a minimum of Government supervision, their Continental opposite numbers are mostly institutions centred on their local market and used to having not only contracts but also rates fixed by their supervisory authority.

Full cover

When the U.K. joined the Community it subscribed to two insurance directives already adopted. One concerned the freedom of establishment and use of cross-border services for reinsurance and made no practical difference from the British point of view. The other, adopted in 1972, deals with compulsory vehicle insurance and January, 1974. From that date U.K. policies will provide the

cover that is compulsory in other member States—a British motorist wishing to have the full cover of his U.K. policy extended beyond the risks compulsory on the Continent will have to make arrangements with his insurers before going abroad.

Two further insurance directives were adopted by the Council of Ministers on July 16, 1973, and these concern freedom of establishment and co-ordination of rules for direct insurance other than life. During the discussions which preceded the adoption of these directives both sides moved closer together: British rules on supervision have been tightened up while the EEC Commission adopted a more liberal attitude on many points. Under these directives, insurers can establish branches in other member States if they meet conditions laid down in the directives, such as solvency margins—though these are not much different from those maintained in the U.K.

The supervisory authority of the host country will have to satisfy itself that the insurer is fulfilling conditions laid down in his home country and the second of the two directives indicates in general terms what these conditions should be.

The agency or branch will have to maintain local technical reserves calculated according to the host country rules and present accounts in respect of local business. In the case of the localisation of reserves for marine and aviation business it has been agreed that further consultations will take place before any new requirements are imposed. National rules will have to be harmonised within 18 months expiring in January, 1975.

The draft directives on freedom of establishment in life insurance, discussed at present

between London and Brussels, follow closely the pattern of the non-life establishment directives. British negotiators are trying to secure for the U.K. insurance industry the ability to act freely within its actuarial principles and to find a way for branches of composite companies into France and Germany which do not normally allow them. The EEC Commission would like to see the two life insurance directives adopted by the end of this year.

Gradual approach

Last month the EEC Working Party of the European Insurance Committee called on the Commission to speed up the establishment of a Common Market for Insurance, particularly by bringing about a freedom for cross-border services. This is a thorny problem and the Commission proposes a gradual approach—first should come a directive providing freedom for insurance services in respect of transport, and industrial and commercial risks only. In this area the need for protecting the policyholder is felt to be less than elsewhere and consequently also the use of this concept for keeping foreign insurers out is more difficult to defend.

So far as freedom of services is concerned, the present attitudes differ greatly from one country to another. Belgium and the Netherlands are liberal but Italy does not allow its residents to contract insurance outside the country and France only exceptionally. In West Germany supervised insurance—fire, motor, accident and life—may be placed outside the country only by correspondence and through agents. Other insurance, particularly marine, is generally allowed to be placed outside Germany.

The two problems which will have to be solved before a directive liberalising insurance ser-

vices can be agreed are that insurance contract and of taxation of insurance premiums. The basic British attitude to the insurance contract is that parties should be free to agree whatever they like, and if it comes to dispute the courts will sort it out. The Continental attitude is just the opposite, the insurance contract is defined by statute and often by the supervisory authority who imposes a model policy.

The other big problem is taxation of premiums. These are heavily taxed in the Continent and not at all in the U.K. The elimination of "distortions" in competition being the main aim of the EEC harmonisation policy, the Commission claims that this is an unfair advantage for British insurers and must be removed before there can be freedom for insurance services.

Finally, there are two draft directives on freedom of establishment for brokers and agents and the discussion of these between London and Brussels is only in an early stage. British legislation, which does not distinguish between brokers and agents, puts certain constraints on the actions of intermediaries but the EEC proposals raise a number of further questions concerning the protection of policyholders. Protection of clients' money in the hands of intermediaries could be obtained in different ways, for example by insurance. Some changes in the present U.K. arrangements for the handling of insurance business by intermediaries would be probably made sooner or later for purely domestic reasons, but the EEC proposals are likely to speed up this process. On the other hand, it can be hoped that the Commission will rethink its proposals in view of the dramatic change which the enlargement of the Community effected in its overall insurance scene.

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16,591	7,454	24,045	34,983	12,433	22,550	
7,397	2,489	9,886	16,018	4,866	11,152	
16,957	6,203	23,160	35,387	11,584	23,803	
15,148	5,096	20,244	34,244	10,597	23,647	
			(figures in millions of lire)			
400,000	214,000	614,000	No. of Clients	700,000	250,000	450,000

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JPK 101/50

Campaign puts pensions under the spotlight

ERIC SHORT

As a newsworthy subject pensions have always been treated in a low key. Suddenly, over the past year, it has shot up in the ratings. It has now become the subject of a considerable output of articles, and in-depth discussion. One factor which has been responsible for bringing this out has been the massive advertising campaign run by the company. Pensions Information Centre, the offspring of the first combined effort by the life insurance industry. To be fair, the objective of the Centre is not to sell insurance. The Centre accepts that its work is the benefit of other pensioners.

Two headings Before considering the impact of this campaign, it is important to consider the sort of product which is being advertised and to assess what life insurance companies have to offer in the pensions field. First, there is the expertise required to set up a pension scheme, acquired from being in a very competitive business for a long time. This expertise falls under two headings.

One is to advise on the level of benefits to be provided under the scheme and to calculate the costs, immediate and future, of providing such benefits. This has become an even more important feature now that the benefits have to pass the recognition tests. The other role is providing help and advice in the administrative work involved in setting up a pension scheme. This is a complex and time-consuming task with legal and tax conditions to be complied with. It is no light task for the layman and the life insurance companies are able to take most of the load off the shoulders of the employer. Next, there is the routine work of collecting contributions and paying out benefits. Again, life insurance companies can give considerable help, making use of the computer techniques developed over the past decade. The third area in the pensions field where the companies have much to offer is in the investment of the funds assets. The

success of a pension scheme, costwise, is dependent entirely on the investment performance of the underlying fund. Life insurance companies have been involved in the investment of funds for a long time. The development of a mixed fund containing a three-way investment of fixed-interest, equities and property was made long before the term "managed funds" was coined. The expertise acquired has been reflected in the performance achieved by the funds under their management. There are various ways in which investment help can be given, depending on the type of pension scheme set up. As the form and variety of such schemes have grown, so has grown the form and variety of investment services available. When life insurance companies first started selling pension business, it was usually written as part of the main life insurance fund. Thus the investment performance of the pension scheme was entirely the result of the investment performance of the life fund. The whole responsibility for investment decisions, both strategic and tactical, lay entirely within the province of the life insurance companies. By and large, the record of such performance has been a good one. Even now, with all the sophistication that has appeared on the investment scene, a large number of pension schemes, especially the small ones, are still invested in this way.

Wider policy From this theme several variations have been devised. The increasing proportion of with-profits pension business written has meant that a much wider investment policy can be followed, with greater emphasis on equities and property. The exemption of pension funds from tax liability meant that the funds administered for this purpose by life insurance companies could compete, in investment terms, with private self-administered schemes. Now has come the "managed fund" concept. The impact of the unit-linked approach to investment management has radically altered pension fund investment. Much has been said and written on this concept, but the main effect has been that instead of the assets of a particular scheme being a relatively unknown part of one huge fund, they are now separate and quantifiable. Life insurance companies offer several types of units—equities, property based, three-way funds and various permutations of these. The employer can have complete control of the

investment strategy of the pension fund, if he so desires, by choosing the units in which the assets are invested. The tactics within the funds chosen are left to the life insurance company, the experts in investment tactics. Alternatively, the employer can seek the advice of the life insurance company, or other investment advisers, in deciding in which sectors of the market to invest. Or, as before, he can leave all the investment decisions to the life insurance company. But in all cases the employer knows the value of the

pension fund assets. Now there is a further move in the investment field. More emphasis is being given to the investment management services aspect by offering to self-administered schemes an investment management service, similar to the services offered by merchant banks and certain stockbrokers. Time will tell whether this further move will prove to be as much used as the other investment services. Finally, the life insurance companies can underwrite the mortality risk, both before and after retirement, underlying the benefits of pension schemes. Indeed, this is a prime function of life insurance. Having considered the product being offered, what success has been accomplished so far? In getting across the pension message, it has been highly successful. There have been a number of enquiries arising from the campaign from employers with no private pension scheme. Certainly, these have exceeded all expectations. But in driving home the need to bring existing schemes up to recognition levels, the response has, so far, been sluggish. Admittedly, the emphasis of the campaign has been primarily on dealing with the problems that getting the pension message across. A switch to the second theme has just been made and not before time. The last sample survey showed that only some 8 per cent. of the necessary amendments have been finalised, while a further 19 per cent. have the recommended amendments under consideration. The Government has not exactly helped in coping with the time problem. The spelling out of the exact recognition requirements and the setting up of the Occupational Pensions Board have proceeded at the usual official pace, which in the circumstances has been far too slow. This has meant that action has had to be deferred in far too many cases, because people want to know precisely what is happening. The Centre has warned of the log jam that will build up. It could be even worse than feared. Meanwhile, the life insurance companies have been continuing their work in the pensions field, expanding their business in both quantity and quality. They face such immediate problems of "inflation-proofing" of pensions and harmonisation within the EEC. No doubt, they will be in the news lately over registration problems with the TUC. The union itself is de-registered but five of its 12 constituent sections are still on the register and are refusing to fall in line with the TUC's policy. The NUW has been warned that if it fails to find a solution it will be expelled from the TUC—the five registered sections will decide in January what steps to take, but if they decide to stand their ground this could lead to member poaching from ASTMS. It is clear then that industrial relations are now on a different wavelength in the insurance industry. The ASTMS and the individual staff union are bound to have their strong disagreements. ASTMS is always pushing that it has the proven experience in other white collar fields and is best equipped to represent the insurance industry. On the other hand the individual staff unions feel that "in house" negotiations bring the best results and that across the board agreements are out of the question given the different levels of finances and circumstances noticeable from company to company. Anyway, the competitive climate must be to the good of the staff in the industry. Before the Government wage restriction there had been a considerable improvement. But even again there is still a long haul ahead of the unions before the amount of leisure time, such as has been the success of this agreement, once again reach the level of a financial status they enjoyed in the distant past.

Better staff relations

By DAVID WRIGHT

The period covering the past few years or so has seen a considerable change for the better in the standards of staff relations in the insurance industry. A number of formal recognised agreements have replaced the old fashioned methods of industrial relations that were adopted in the past. This improvement is a result of a number of factors notably the Industrial Relations Act and the expansion of the various unions represented in the industry.

One union that has really grown in importance is the Association of Scientific, Technical and Managerial Staffs. Indeed, many have gone to great lengths to keep their identity. Clive Jenkins has virtually doubled the number of members in the last three years. In November, 1970, the ASTMS joined forces with the Union of Insurance Staffs and at that time there were some 25,000 members. At the latest count the number of members totalled well over 45,000 or about 25 per cent. of the complete labour force in the insurance industry.

The ASTMS has agreements with a number of the leading insurance companies which include the Pearl, Norwich Union, Co-Op and the Prudential and Royal where there was a merger with the staff associations. As yet there has been little penetration in the insurance broking field except for one small concern.

Fully registered

Not all the staff associations, however, have been so eager to merge with the ASTMS as has the Prudential and Royal. Indeed, many have gone to great lengths to keep their identity. Some have even become fully registered as a trade union under the Industrial Relations Act despite the protests from the employers. Guardian Royal Exchange was the first insurance company staff association to become a trade union, followed by the Commercial Union. The ASTMS are evidently continuing their challenge to the right of these staff associations to become unions although earlier this year they did have their request for an inquiry into the Commercial Union's staff associations recognition turned down.

One active dispute that has been going on for some 18 months is at General Accident. Here both the staff association and ASTMS are striving for sole recognition: the Commission of Industrial Relations has come out in favour of a single organisation but the Staff Association of the General Accident has turned down the merger moves from ASTMS. A postal questionnaire showed that 50 per cent. of the staff indicated that they would be willing to accept recognition of either of the two unions while 39 per cent. rejected sole bargaining rights. However, there was an overwhelming majority in favour of some sort of employee representation. Not all the energy of the two unions has been spent on carving a bigger slice of each other's

cake for both have accomplished some worthwhile achievements of late.

One notable achievement of the ASTMS has been the introduction of flexible working hours. The first insurance company to sign this agreement was the London and Manchester in September 1972. The agreement meant that the staff could if they so wished work a four-day week. The staff would have to work a 35-hour week but they could choose their own working hours between 8 a.m. and 7 p.m. apart from a couple of periods that were compulsory. These two periods were between 10 a.m. and noon and 3 p.m. and 4 p.m. Time clocks would be used to check the number of hours worked.

This was the first deal of its kind in the City and it enabled staff to save on train fares, travel out of rush hours and occasionally allow a three-day week, thereby increasing the amount of leisure time. Such has been the success of this agreement, although there was a certain amount of criticism of

Thriving unions

While the conflict between the staff associations and the ASTMS may have taken the limelight it should not detract from the fact that there are a number of other thriving unions associated with the insurance industry. The most significant of these is the National Union of Insurance Workers, which has about 37,000 members and is well established in the home insurance workers. This union has been in the news lately over registration problems with the TUC. The union itself is de-registered but five of its 12 constituent sections are still on the register and are refusing to fall in line with the TUC's policy. The NUW has been warned that if it fails to find a solution it will be expelled from the TUC—the five registered sections will decide in January what steps to take, but if they decide to stand their ground this could lead to member poaching from ASTMS. It is clear then that industrial relations are now on a different wavelength in the insurance industry. The ASTMS and the individual staff union are bound to have their strong disagreements. ASTMS is always pushing that it has the proven experience in other white collar fields and is best equipped to represent the insurance industry. On the other hand the individual staff unions feel that "in house" negotiations bring the best results and that across the board agreements are out of the question given the different levels of finances and circumstances noticeable from company to company. Anyway, the competitive climate must be to the good of the staff in the industry. Before the Government wage restriction there had been a considerable improvement. But even again there is still a long haul ahead of the unions before the amount of leisure time, such as has been the success of this agreement, once again reach the level of a financial status they enjoyed in the distant past.

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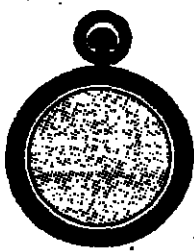
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INSURANCE VI

A voice in company affairs

By PETER FOSTER

When, getting on for two years ago now, Sir Leslie, now Lord, O'Brien, put forward the point of view that large institutional shareholders have not only the ability and the right but also the moral obligation to influence the actions of the corporations in which they hold an equity stake, there were broadly three forms of response. Two of these were "City" views and the other was that of "outsiders." The outsiders said that they did not like the idea of the City policing itself, because it either could not, or would not, be able to check all the abuses that were meant to be going on within the City square mile.

The insiders either welcomed the idea, perhaps, to take a cynical view, realising that unless something was done to clean up the "unacceptable" capitalist faces that sometimes sprang into view then their financial bastions would be stormed; or they claimed that such concern with corporate management was no part of their brief. These latter claimed that their interest was solely in financial return, and that this should be their main criterion if they were to serve the interests of those whom they either insured or for whom they provided pensions or managed unit or investment trusts.

In some ways the insurance companies proved to be the odd men out in the initial steps to form a central organisation which would deal with matters of corporate management. A working party was set up by the Bank of England which consisted of representatives of all the principal institutional shareholders. This reported exactly a year ago that the Association of Investment Trust Companies, the Association of Unit Trust Managers and the National Association of Pension Funds had agreed to form an organisation which would perform the functions which Sir Leslie had outlined. However the British Insurance Association, while it said that it was willing to co-operate in individual cases, claimed that it felt unable to be a full member of the organisation as it was then proposed. This was mainly because it was unwilling to appear to accept the prime responsibility for monitoring

and improving the management of companies, and also because it was reluctant to join an organisation which might be prejudicial to the control of investigations by any of the institutional shareholders of the company concerned.

Joint committee

Subsequently however, when the BIA saw the form which the organisation was taking, it agreed to become a part of it, so that the new Institutional Shareholders Committee now consists of all four major institutional shareholders associations. This new Institutional Shareholders Committee is administered by a joint standing committee of the chairmen of the sponsoring bodies, with secretarial services provided by the constituent associations who are shareholders in the companies concerned. These committees are, in appropriate circumstances to be assisted by experienced industrialists, financial consultants, and may encourage companies to enlist the help of professional advisers. Since its inception little has been heard of the Institutional Shareholders Committee, but this is perhaps not surprising.

News that the Committee was investigating or consulting with the management of any particular company would have been introducing. However, the very clear in a Press announcement which appeared in the Bank of England Quarterly Bulletin earlier this year that it was very conscious that the co-operation of company management was dependent on the absence of publicity, and that no public statements would therefore be made about any of the activities of the case committees.

Nevertheless, the British Insurance Association has shown itself very willing to speak out on its own behalf when it comes to the more general aspects of institutional shareholding. In July of this year the Association's own investment protection committee set out some very tough guidelines relating to share executive incentive and option schemes. The suggestions were in fact controversial in several respects. It was recommended that shares should not be issued to participants in incentive schemes, nor options given to purchase shares, below the market price. This

however is just the sort of scheme which many companies, under the guidance of their merchant banking advisers, have been introducing. However, the vast weight of the Association's voting power could present a very significant obstacle to the introduction of such schemes. In fact under last year's Finance Act top level schemes were allowed to issue shares down to a minimum of 30 per cent of the market price. The BIA's guidelines by contrast took the view that the option was attractive enough in itself without the need for a discount as well. The guidelines also stressed that directors should distribute the incentives in such a way that sufficient reserve benefits were left for future generations of executives. The BIA's militant attitude is in fact reflected in the recommendation to its members that they should oppose any scheme which does not follow the conditions laid down.

Share schemes

More recently—last month in fact—the BIA came out in opposition to discounts on share saving schemes, which came in under this year's Finance Act.

Despite Stage Three the Committee is permitting employees in the interests of boosting savings, to buy shares in the companies after entering share contracts for five or ten years. Under the Finance Act 1973 discounts of up to 20 per cent are allowed on share purchase schemes for employees while discounts of only 10 per cent are now allowed on share option schemes. The BIA has also called once again for a limit on the total issue of shares in relation to the company's total share capital—in this case to 10 per cent.

The BIA has thus shown itself willing, and able, via financial muscle power, to step up for its rights and make constructive recommendations when it comes to the possible dilution of its equity holdings. In year we have also seen action of the institutions most effective in the Distillers' Thalidomide case. An over "Social Brief" approach is likely for the moment and perhaps ultimately undesirable. The piecemeal intervention of the BIA and the Institutional Shareholders Committee can a great deal to influence the performance of companies.

Business from overseas

By JEFFREY BROWN

London is one of the biggest international insurance markets in the world. That being the case there is nothing unusual in the fact that a large number of overseas insurance companies have established a physical base in this country, that the number is growing annually and that, if anything, Britain's recent membership of the EEC is likely to accelerate this trend.

Overseas insurers are drawn to this country for a variety of reasons, but pre-eminent among them is the very global nature of the London insurance market. The domestic market for insurance in the U.K. is a big one, but the majority of foreign companies who set up shop here do so because of the massive inflow of insurance business that comes to this country from every part of the world. Direct insurance is a big factor, but so, too, is reinsurance with the Lloyds market a veritable sponge for any insurer who wishes to lay-off his commitments.

One interesting point is that while the actual physical size of the insurance market to be found in this country is only part answer to the attractiveness of Britain to the outsider, it is the most important part, but nonetheless still only part, and for the rest of the key one must look to the sheer freedom (both of access and movement) of the British insurance market. The DTI keeps a vigilant watch on the doings of insurers in this country, but unlike Government bodies in many parts of the world it does not try to dictate. Because of historical connections many of Britain's overseas insurers come from Commonwealth countries or English speaking countries like the U.S. Ten years ago these regions would have totally dominated the overseas insurance market in this country but to-day such a statement no longer rings quite so true. Not only have the Europeans been invading these shores but so too in recent years have the Japanese.

Obvious example

Of course many overseas insurance groups have had a base in the U.K. for a long time. The Zurich Insurance is an obvious example. It was formed here in 1922 and is just about the biggest competitor the U.K. domestic insurers have to face from overseas. As a composite, the company operates successfully in the field of private motor and fleet motor insurance and the two probably account for something like half its total business. Fire business is also important.

Unlike its Swiss parent which operates along rather more confined European lines, Zurich of the U.K. has had plenty of time to blend in with British insurance traditions. The company is enthusiastic about the insurance market in this country, but then given its relative entrenchment it can probably afford to be.

In the life fields whatever share of the market overseas companies have—and it is probably well under a tenth—it would seem that the lion's share is held by Australian and Canadian groups. The presence of these old Dominion companies is readily explained by historic ties and by the fact that in their beginning they were largely staffed—in terms of actuarial and investment expertise—from this country. If such companies have tended to conform to British patterns in terms of contracts offered to the

public they have also differed in the nature of their sales organisations.

More aggressive

Instead of the part-time agents and brokers used by many U.K. insurance companies, many of the overseas groups in this country employ specialist salesmen and on the face of things they might appear to be that much more aggressive, or sales orientated. That at least may have been very much the case say ten years ago but for the most part British insurance has kept in step with the times in relation to the demands of its domestic market. However the influence of the overseas intruders has done much to update the marketing procedures of the typical U.K. life company. This influence has probably been second only to the rise of unit-linked life assurance over the past decade.

One interesting point is that while the majority of overseas companies operating in this country have preferred to come in as a branch of the main life company, others have decided to set up U.K. subsidiary companies. Perhaps the major reason for this second approach has been the simplification of the tax problems that it achieves. However, this may be at the expense of other less obvious tax advantages.

It is quite usual for a subsidiary to be registered in the U.K. where an overseas life company has decided to enter the unit-linked field. This offers one very real advantage in that the parent company does not have to conform to U.K. legislation and make statutory returns in this country. Longer term, it is obvious that many overseas companies now registering here are doing so because of Britain's entry this year into the EEC.

For many of them there is no real language barrier and clearly there are few places better situated than London if a life company wishes to make the continental mainland something of a hunting ground. However, harmonisation of European insurance under the Treaty of Rome is still a long way off, so for the moment companies setting up shop here with an eye to Europe are simply in the position of operating long-term springboards. On the other hand when some form of European harmonisation does materialise the pickings could be substantial. Europe is a mass market, a prosperous market and a growing market. And there should be plenty of opportunity for aggressive life assurance selling.

As far as this country is concerned, overseas insurance companies have not had an easy time. Breaking into a highly established market is always

difficult and perhaps doubly so in the context of a somewhat conservative product, insurance, whether it be assurance or accident and writing. But some overseas companies have found a way to conform to U.K. legislation and make statutory returns in this country. Longer term, it is obvious that many overseas companies now registering here are doing so because of Britain's entry this year into the EEC.

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INSURANCE VII

Inflation hits profits

By PETER FOSTER

Growing rates of domestic and world inflation are undermining profits in almost every sector of insurance. The only circumstance in which the insurer stands to gain seems to be that of fixed-sum contracts, such as the non-profit endowment policy, where the company undertakes to provide a fixed sum at some time in the future and the real value of the liability falls in direct proportion to the rate of inflation. The other type of insurance however, indemnity cover, where the insurer undertakes to provide against loss or damage up to a fixed limit, is constantly being hit by rising costs. This is the case of marine, aviation and motor insurance, and also of house protection, although in this case the burden of inflation may fall on the house owner.

The fundamental problem is one of increasing repair costs relative to the total value of the object insured, which applies most strikingly to motor and marine insurance. The point is that insurers seem to have been taking insufficient account of repair cost inflation when they have worked out the mix between total loss and partial damage claims. The total loss will, in most cases, be unaffected since it will normally be for a fixed sum.

However, the escalating cost of repairs means that the partial damage element in the premium mix has, in recent years, been constantly underestimated. The long term effects of this can be examined analytically by regarding the total cost of the insured vehicle or ship in terms of "repair hours".

Aviation repairs

The aviation insurers by contrast are not so involuntarily involved with the ravages of inflation, first because many policies are written for only one year at a time. Another difference is that a marine repair may be postponed for some time, if it is not serious in nature, whereas aviation repairs are usually such that they have to be carried out immediately if the aircraft is to fly. Perhaps the most important factor however, is that there is a much higher ratio of total loss to damage exposure for aircraft. Accidents tend to be total write-offs. Thus the aviation insurer is much more certain of the sum involved and does not have to take so much account of either cost inflation or exchange rate fluctuations, both of which ultimately have the same effect. The total loss exposure for an aircraft is in fact something like 75-80 per cent. of the risk.

Another feature is that an aircraft will probably have a shorter life than a ship, and that its value will almost certainly decline over the years due to technological obsolescence. In some policies the insurer has the right to replace the aircraft rather than pay out a cash sum. This is perhaps more often the case where older aircraft are being insured. In commercial deals however, an agreed value policy is more common, which has to take account of the "moral standing" and the equity interest of the owner of the aircraft.

When it comes to personal liability the aviation field differs considerably from others. There has been a good deal of wrangling in recent years over the limits to passenger liability. The first international convention on the subject of such liability was the Warsaw Convention of 1929, which was incorporated in the Carriage by Air Act of 1961 in this country and which had in fact been modified by The Hague Convention of 1955. These rules apply to most countries and state that the limit to the carriers' liability is currently around \$18,000. For aircraft flying to and from the U.S. the limit is \$75,000.

These figures are of course very low and have been made to look more and more ridiculous by the march of inflation. One of the reasons for setting a relatively low level of personal liability initially was the fact that the airline operator had little effective defence against such claims. The limit does not apply in cases of gross negligence but there was a move at the convention at Guatemala in 1970 to increase the overall limits to \$100,000. This motion was in fact not carried because the U.S. still regarded it as too low while the emergent nations considered that it was too high. The continuing low limit of liability and increasing technological sophistication means that claimants are constantly seeking ways of avoiding the limits, in some recent cases by actually suing the manufacturer rather than the flight operator. It is now becoming easier to establish the cause of accidents through the use of in-flight recorders, so this is a loophole which is likely to be increasingly exploited until the legal limits are changed.

Housing market

Accelerating inflation obviously leads to the increasing incidence of under-insurance. This has become true over the past few years in the housing insurance market in particular. Somebody who last insured his house say two years ago would have seen the market price probably soar above its insured value, with the consequent possibility of losing a great deal on a full claim. However if there is a partial claim this may present difficulties to the insurer. In this case there is the possibility that only a portion of the claim may be paid, since one of the conditions of many policies is full insurance. However in most cases it may prove better for public relations to pay out rather than withhold full payment. One possible area to examine here might be some form of indexing system whereby premium cover moves in line with house values. For the other forms of insurance however the only solution to declining profits is for insurers to start making sufficient provision in cover for increasing costs. Unfortunately the currently dull state of many markets is making this impossible.

Move back to gilts by investment managers

By BARRY RILEY

Will inflation slow down or funds have sunk over £700m. will it continue the gradual acceleration which has been a feature of the past decade or feature of the past decade or so? How can a sensible investment policy be planned when the yield gap between fixed interest assets and equity-type investments has widened to an unprecedented degree?

These are some of the questions which dominate the thinking of the men with the largest investment responsibilities in Britain — the investment managers of the major insurance companies.

Last year the total net new investment by insurance companies was a massive £1,618m., of which long-term (life) funds accounted for £1,251m. and general funds £368m. That left the long-term funds with total assets of £16,574m. at the end of the year, an increase of 10 per cent. on the end-1971 level. General funds increased just over a fifth to £2,528m.

The build-up continues assets against 30 per cent. the year. In the first six months of 1973 the long-term

securities dwindled sharply from 41 to 18 per cent. (although the latter was still a higher percentage than in any other year since 1967).

Surprisingly it was an off year for property, which took only a tenth (against a fifth) of new net investment. In absolute terms, property investment dropped a third.

But so far in 1973 the pattern of insurance company investment has been quite different. Property has romped back into favour, absorbing more cash in the first six months than in the whole of the previous year. Equities have slipped right down the popularity scale, however, to be offset by a partial resurgence of interest in gilts, while short-term funds have been piling up to the extent of nearly £170m. extra.

The recent increase in the volume of liquid funds is hardly surprising in the light of the high short-term interest rates which have been operative — especially in the early spring and again from mid-July onwards. If fund managers can get a return of 13 per cent. or so in the money market they can profitably postpone any commitment to long-term assets.

All the same, investment managers like to switch into long-term assets without too much delay. That could explain the surge of money into gilts during September and October, sparked off by signs (premature as it turned out) that short-term rates were peaking. And it has been easy to buy gilts in very large quantities — just recently the Government Broker has been very happy to supply them on a huge scale to finance the Exchequer's borrowing requirement.

Property values

Supply-and-demand factors have strongly affected the property market over the past year or two. During 1972 property values were shooting up fast, sellers became inclined to hold off for higher prices, and the insurance companies generally became unwilling to compete with property bond and pension funds in chasing values ever higher.

For much of 1973, however, the market has been much more nervous in the face of Government threats to control rents (mostly abandoned, in the event) and property has been more freely available. And quite apart from investment in completed properties, insurance funds have prior commitments to finance new developments; these forward commitments are probably responsible for some of the increase in property investment apparent this year.

On the other hand, equities have had some of their appeal taken away by dividend restraint, and fund managers have been able to wait for prices to drift downwards.

In any case, some of the larger funds now feel that the proportion of their assets in equity-type investments (which include properties) may have

Fixed interest

Since this situation has arisen very largely because equity-type investments have outperformed their fixed interest counterparts over the years, it might seem curious that the insurance companies should want to correct the balance by putting more new money into what have proved historically to be poor investments.

There are several explanations. First, to the extent that life funds still have fixed liabilities (such as annuity business) it makes sense to match against fixed interest assets of corresponding maturities, thus eliminating risks. But these days, of course, most policies are sold with participation in profits.

The second point is that the so-called reverse yield gap between equities and gilts has reached record proportions. The dividend yield on equities (restricted under the Stage Three Code) is only about 4 per cent., while around 12 per cent. can be had from gilt-edged stocks. So equities must produce capital growth of some 8 per cent. (depending on the tax position of the fund) to prove a worthwhile investment. At the present time nobody can feel very confident about that.

The institutions have also bid prime property yields down to around 4 per cent. and on recent trends the scope for growth is probably considerable. But the political risks are high, whether in terms of rent controls or new property taxes.

Another way of looking at the equity v. fixed interest problem is to remember that the fund managers have to hedge their bets. They are long term investors, and they have to cope with a situation where the rate of inflation could either rise or fall.

If it rises, funds will rely on their equity-type assets; in those circumstances gilts would continue to be a disaster area. But if inflation falls away — and it has to be accepted that this might well be in the context of a serious slump in the economy — high coupon long gilts could sell at a large premium over nominal values, offsetting the inevitable collapse in equity and property values. In this sense, gilts can be seen as the long term funds' own insurance premium.

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INSURANCE VIII

New slant on life business

By KEITH LEWIS

Most of the action in the life assurance industry in recent times has been on the unit-linked side. The advent of "investment bonds"—property, and it is no wonder that these bonds were the real hit of 1972: one fund alone is reckoned to have pulled in more than £100m.

equities, mixed—and of Guaranteed Growth and Income Bonds—both really various forms of annuity—has put a new slant on the industry. In the past, life assurance has been used mainly for "savings" or the accumulation of capital through regular premiums. The difference now is that life assurance, for various reasons, has become a home for lump sums. This attitude is accent is now on "investment" rather than "savings."

Life assurance legislation, which is occasionally vague and open to wide interpretation, is now being exploited to the full. The existence of Guaranteed Growth and Income Bonds in whatever assets it pleases—in theory it could even mount a take-over bid for a public company—and there are no trustees to govern investment policy or vet advertising material.

Tax allowable

Furthermore, it is actually more lucrative for the vendor since with a life fund expenses are tax allowable. A 5 per cent. initial charge becomes considerably less in cash terms which explains why the "boom" in annuities is far greater than in advertising and promotion than, say, the unit trust promoters—

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and anyone else in the savings arena for that matter.

However, it would be quite wrong to suggest that orthodox with-profits endowment policies are dead, or even dying. These funds have been investing in property, equity and fixed interest for years; the difference is in the packaging and marketing strategy. And, of course, the construction is quite different in that the return to the policyholder is governed by actuaries' decisions on bonus rates rather than on direct portfolio performance.

To put the two forms of policy in perspective, the Life Offices Association figures show that the number of unit-linked policies in force in 1970 was 940,000, in 1971 the figure was 1.1m. and the 1972 figure, soon to be released, is expected to be of the order of 1.3m. The same

figures for traditional ordinary life are 13.5m, 14.1m. and an estimated 15m. respectively. Industrial business is actually on the wane, however—this is the business collected at the door by representatives—and the 1972 figure, if historic trends are anything to go by, should be 71.9m, against 73.9m. in the previous year and 75.9m. in 1970.

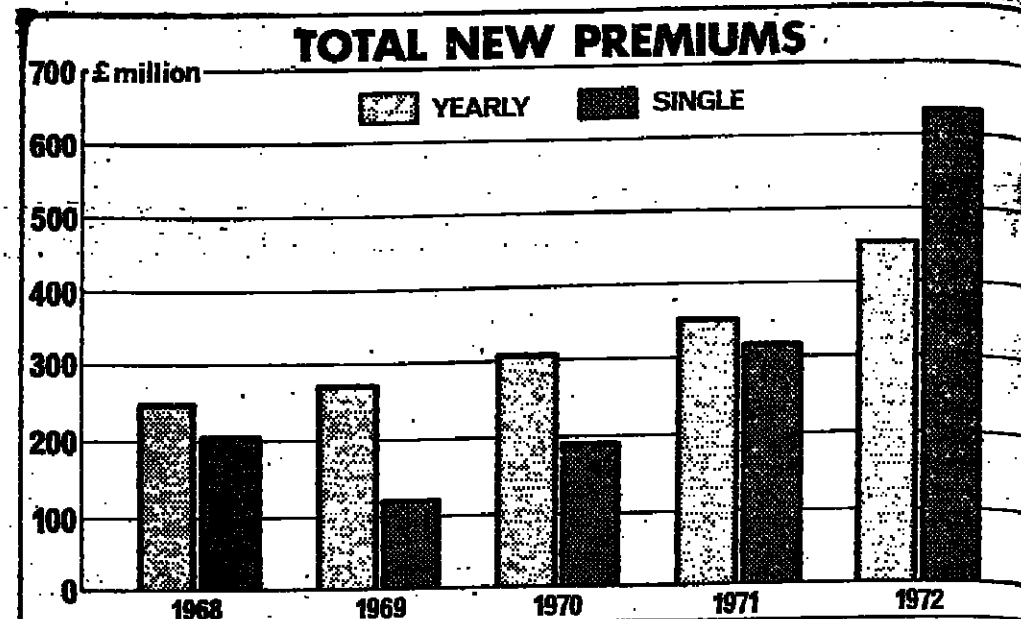
In cash terms, single premium

investment linked policies attracted £53m. in premiums in 1970, £104m. in 1971 and the staggering £300m. last year. The regular premium linked business moved in a £60m., £286m. and £100m. sequence. Single premium ordinary life (the traditional policies) not that significant, remaining at a fairly constant £15m. per annum. But the ordinary life regular premium—this would include with profits policies—moved from £550m. to £587m. to £650m.; in each case the regular premium figures are premiums in force and not new business.

New annuities

As I have said the annuity business has really taken off in the past few years due to the introduction of Guaranteed Growth and Income Bonds: in 1969, 29,000 new annuities were bought, costing \$81m.; in 1970, 67,000 annuities cost \$125m.; in 1971, 107,000 cost \$191m.; and in 1972 no less than 182,000 annuities were purchased, costing \$287m.

It can be seen from these statistics that life assurance in most of its forms is on the increase and there is little doubt that fears of inflation



Doorstep service

By TOM KYTE

It is perhaps strange that nowadays, when people appear to be becoming increasingly sophisticated in financial matters, the door-to-door insurance man is still a very familiar figure. Nevertheless, this certainly appears to be the case given that there are about 40,000 insurance operatives of this type currently working for the Industrial Life Insurance offices, providing a large number of the British population with its only link with life assurance.

One of the main reasons why the door-to-door insurance agent still forms such an essential part of the industry, is that even in an age of bank accounts, cheque books and bankers' orders, the majority of the British people still prefer to settle their accounts with cash. Indeed, more than half of the population are still without bank accounts, and even to-day, without a bank account, it is troublesome and inconvenient to transfer even small sums of money over any reasonable distance.

Growth record

It seems to follow that if a large proportion of customers are going to pay premiums with cash, it is common sense for the insurance companies, in order to avoid delays, to appoint an agent to make regular visits to the policyholders' homes.

Another and equally as important function of this type of insurance agent is to familiarise prospective customers with all aspects of life assurance and, where possible, to sell the appropriate policy. In order to be able to do this it is necessary for the agent to become as

"Total premiums from the Ordinary life business of the offices in the U.K. and overseas (much of the former transacted through the Home Service agent), reached a new high level of £369m., while premiums on new business reached in the branch rose to £97m.

Since the majority of the people who use Home Service Insurance are weekly-paid, it seems logical for premiums to

be collected on a weekly basis, which brings us to one of the problems of this system. The weekly collection of premiums is extremely expensive and many companies have discontinued issuing policies on a weekly premium basis. This gives a need for a better system. In fact, the Mr. Haslam's statement was on to point out the significance of the fact that, in spite of a period of wage restraint, surrender payments on Industrial Life Policies were fractionally lower than in 1971, at \$70.8m.

good illustration, in fact, of the close relationship which an agent must establish between himself and the policyholder, since when this happens it is often necessary for a compromise to be reached on the timing of payments.

Familiar face

The real benefits of this personalised service can only really be fully appreciated when the policyholder is a family, or when a policy matures or when a claim becomes necessary. But it was becoming clear from the experience of the field staff of the Industrial Life Offices that the majority of people prefer to deal with a familiar and friendly face when undertaking as serious a piece of long-term financial planning as a life insurance policy.

Following the recent advent of unit-linked assurance, and the enormous publicity which has accompanied it, the door-to-door system of selling insurance policies has come under some fairly close scrutiny from people who fear that the techniques involved in selling unit-linked insurance policies could be open to some abuse from unscrupulous salesmen. However, the recent Scott Report on Linked Life Assurance rejected the suggestion, contained in evidence supplied by the Law Society, that sales of linked policies on a door-to-door basis should be banned. Indeed, the report went on to say that the door-to-door method of selling policies was "at the very heart of the industrial assurance business," and that so far it had seen no evidence of any abuse in either the linked or unlinked fields.

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INSURANCE IX

Mood of uncertainty in the share market

BARRY RILEY

Insurance shares have been cutting through a rough patch. The composites have a showing pronounced weak relative to the rest of the market for two years. The usually stable life insurance index has been dropping.

Recent news has added to the market's suspicions about the insurance sector. The bid by the Royal Exchange for Metropolitan Trust amounts to a re-formation of rights issue, and the fact that the insurance companies are not finding it possible to generate sufficient income internally to cope with inflation. This problem is more pressing as inflation takes a firmer hold of the economy.

In the life side, Sun Life's proposal to modify shareholders' rights to participation in fund profits has left the market wondering whether its intentions about future prospects have been ill-judged. Sun may be partly a case, with its large losses in pensions, but life insurance has dropped nearly a third on average this year.

Recent weakness

Composite insurance shares performed no worse than in 1973 so far, but their performance has been considerably inferior. The weakness contrasts with pronounced profits strength in the composites: earnings per share of the seven major companies rose over a fifth in 1972, another rise is likely this year.

But the outlook for insurance is unsettled. In the U.S., underwriting ratios have been easing since the exceptional peaks reached last year. In the U.K., there is a likelihood that motor underwriting will turn down again as rates controlled by the DTI fail to take full account of the impact of inflation on claims (though petrol prices could yet bring a short-term boost to the account). On the internal side recent rate-

cutting in the marine and aviation markets could bring problems.

However, both premiums and investment income remain on very strong trends. For the seven major composite groups in the first-half figures of 1973 the average premium growth was 12 per cent, and investment income was almost a quarter higher.

This makes the shares of the composites look historically cheap on an average 1973 p/e of perhaps 10, using the straight-forward earnings per share method of evaluation. But how realistic are the earnings figures which insurance companies publish?

In the past year or two the stock market has had to cope with a number of shocks on this score. Companies release apparently precise figures for underwriting profits or losses—often quarterly, in such cases as Royal and Commercial Union—but several have had to admit lamely that the figures have been presented on too optimistic a basis.

A major point of difficulty has been the effect of inflation on claims incurred but not received (known in the industry as IBNRs). Traditional provisions have often proved inadequate, and Commercial Union, for instance, made a massive £22m transfer out of reserves in its end-1972 accounts, largely to cope with IBNRs. Similar moves have been made by Eagle Star and GRE, though Royal on the other hand says its existing accounting system has been adequate. Royal's sharp third quarter deterioration, however, was blamed mostly on inflation.

Are there more skeletons in the cupboard? The market can be forgiven for being cautious, and indeed there has been a tendency to accept that underwriting results will do little better in the long run than fluctuate around break even; that makes the underlying earnings of a composite insurance company a function simply of investment income and the (relatively small) transfer from the life side.

In this context the concept of "earnings" becomes very

woolly. Earnings can only reflect the income side of investment performance, not capital growth. Another way of approaching the valuation problem is through the assets of a company. All the majors now give market values for their investments, and this makes it possible to relate share prices to net worth. Historically, this relationship has been extremely erratic, however; at present the major composites are selling at well under the asset value of their non-life interests.

Premium income A third method involves quite a different viewpoint. The basic measure of the size of an insurance company, it can be argued, is its premium income, and its profitability must be linked to this in the long run, although there will be inevitable fluctuations. On this argument the more premiums you can purchase per share the better—the relevant factor usually being expressed as non-life premium income divided by equity market capitalisation.

This argument assumes that a company's performance cannot for long diverge far from the industry average (it also ignores the life side, which is particularly important for Eagle Star). Moreover, it could show bias towards companies with a slender asset base (supporting too much business on a given market capitalisation) with maybe a rights issue in the offing. All the same, this ratio is closely followed by stock market analysts.

The strength of this latter rights issue point has been borne out recently by the case of GRE. It has appeared cheap lately on the basis of the premium/market capitalisation ratio, but has now gone in for the effective rights issue which could dilute its earnings per share by a sixth in the short term.

The GRE move follows General Accident's £34m. rights issue last year and several loan stock issues and takeovers for shares by other composites. As far as existing shareholders are concerned this trend implies

Dividend outlook

As for the life insurance sector, share prices have had to come to terms with the current restrictions on dividend rises. Life shares, after all, have sold on very low yields because dividends looked likely to improve at significantly more than the currently permitted 5 per cent. per annum.

Now the problems of Sun Life have added an extra element of uncertainty. In fact Sun has a specific problem related to the growth of its pension fund business, which is hardly relevant to other proprietary life offices. But Sun's own shareholders are stock issues and takeovers for their long-term position, and the sector as a whole has lost some of its former confidence.



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Bankers begin to build significant stake

NICHOLAS LESLIE

Year ago, Midland Bank set up a new company, called Bank Insurance Services, with the object of providing insurance services for customers on insurance matters of course, as a source of income for the bank itself. At the time of the launch, Mr. E. Manwaring, managing director of the new company, insisted that the aim was to take insurance business from existing sources—made by at least some insurance brokers in the industry was to be that loan customers would be conditioned upon the bank organising the insurance. Mr. Manwaring felt there was scope for offering insurance advisory service to customers who did not then have professional support. 13 months having gone, Mr. Manwaring now feels the Midland's insurance business have developed or less exactly as I they would. He says that among insurance firms Midland's move has been warmly welcomed by the institutions, although the smaller minority of selling companies have been slow to take up the offer. Among insurance firms, the very large companies—like Willis Faber and C. T. Bowring—have been impinged upon, while smaller brokers have, he says, perhaps over-reacted to the adverse effects upon

looks as if it will be in broking that the banks are going to have the greatest impact on the insurance market in the near future.

In common with the clearing and other joint stock banks, several of the merchant banks have also considerably widened their financial bases to take in insurance—from traditional life, annuity and pension schemes to the (relatively) more modern unit-linked savings/insurance plans.

Enormous impact The potential impact of the joint stock banks—and in particular the four major clearing banks—on the insurance market must be enormous. For instance, Barclays, National Westminster, Midland and Lloyds have between them around 12,000 branches throughout Britain through which they can do business.

Broking by the banks is not new—most of them had some involvement for some time but the scale has been dependent upon the individual managers. But the fairly recent moves by the clearing banks to centralise the insurance activities is the pointer towards suggesting that a significant stage in the evolution of insurance growth, particularly in life insurance, may have started.

What happened was that the clearing banks took on responsibility for insurance matters at Head Office, whereas previously the managers had been doing the broking business on their own account and had been taking part of the commission for themselves.

Barclays, Midland and Lloyds (which centralised in January, 1972) also have varying styles of regional set ups and it is to these centres that the managers in a particular region can turn for advice and for sorting out any insurance problems customers may have. This added professionalism suggests that customers can expect better, and certainly

more consistent, quality of advice in the past, simply because the banks have realised that this is needed to get insurance activities off the ground in a big way.

When one turns to the merchant banks' involvement in insurance an entirely different picture presents itself. They have in the main been far more closely occupied with evolving savings / insurance linked packages and these have proliferated in great quantity, with Hambros Life, Slater Walker, Schroder Life, Kleinwort Benson (through its interest in M & G) and Morgan Grenfell to the fore.

Not all have stayed the course, however. Rothschild tested the water a while ago, but eventually withdrew.

It is difficult to gauge the implications of merchant bank involvement in insurance, other than to suggest that through their individuality and variety they have helped to tailor more to peoples' needs. The fact that these activities form part of a wider financial operation of the merchant bank seems to be of little significance because insurance tends to be, for the most part, greatly removed from other activities.

Merchant banks have also had the problem of getting recognition for quality and standing of their insurance activity, since the unit-linked and funds operations took a bad knock in the wake of the Investors Overseas Services debacle several years ago.

In fact, Keyser Ullmann has gone so far as to pick up one of the "casualties" of the IOS situation. Last year, it acquired International Life Insurance Company (U.K.), a former subsidiary of IOS which had been vainly trying to throw off the dampening effects of its former parent's problems.

Since then, Keyser Ullmann has changed International Life's name to Cannon Assurance, re-declared an investment in the ill-fated IOS Fund of Funds than for the insurance world.

Linked schemes

In the main, merchant banks have trodden the path into insurance by acquisition of either companies or ideas and people. Hambros did this when it sold out of the successful Abbey Life and then recruited former Abbey Life managing director, Mr. Mark Weinberg, to set up their insurance activity, since Hambros Life. This company now has a variety of equity and property linked unit funds and offers a wide selection of capital life insurance.

However, one significant reversal of this trend was the takeover by C. T. Bowring of Singer and Friedlander. Bowring is one of the U.K.'s largest insurance brokers with interests worldwide. Another such takeover has been the subject of speculation on several occasions in the City and it could well happen. If so, the implications would probably be greater for the corporate finance and similar financial activity in the City than for the insurance world.



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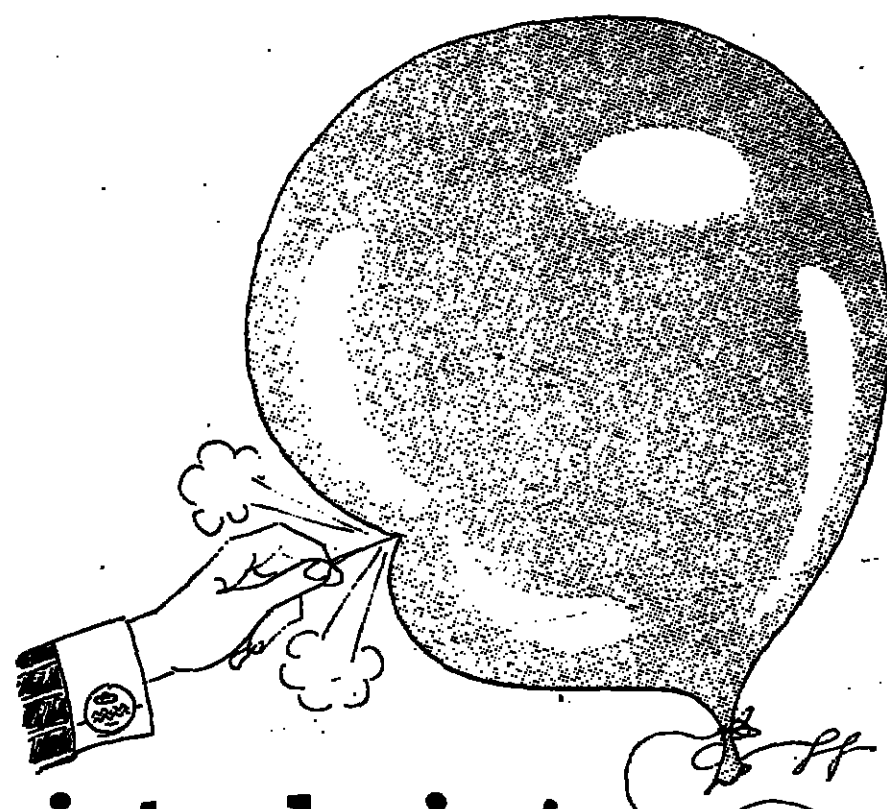
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INSURANCE X

Problems of sheer size in ships and aircraft

By JOHN GASELEE

Although both marine and aviation insurance are completely international, and there is very fierce competition throughout the world, London is generally looked upon as being the leading market. This, however, does not necessarily mean that the rest of the world follows the London rate—as happened to some extent in the past. In the marine market, particularly, there has been fierce competition for business which has been on the books of insurers in the U.S. appear to be in a particularly aggressive mood at the moment, but there are insurers in plenty of other countries only too anxious to pick up business at what, to some underwriters, look like cut-price levels.

In London, much more hull than cargo business is written, much of the latter being taken up locally throughout the world. One leading marine underwriter said earlier this year that, in his opinion, there had been very few years in the last 15 when the hull account had shown a profit or will do so in the final analysis. Clearly, shipowners find it hard to understand the difficulties facing underwriters when large premiums are paid by most owners without any significant return in claims, while some owners bring underwriters losses which could never be met out of any reasonable insurance premium.

Although, from time to time, various "solutions" to the problem are put forward, insurers feel that it will be difficult to improve on the commercial market. Here, an owner knows in advance exactly how much his costs will be. And underwriters tend to base their rating very much on experience, being the leading market. This, however, does not necessarily mean that the rest of the world follows the London rate—as happened to some extent in the past. In the marine market, particularly, there has been fierce competition for business which has been on the books of insurers in the U.S. appear to be in a particularly aggressive mood at the moment, but there are insurers in plenty of other countries only too anxious to pick up business at what, to some underwriters, look like cut-price levels.

Important changes

Ideally, any underwriter likes a large spread of modestly valued units. While this used to be the position in the marine market, important changes have been taking place. It has been estimated that by the end of next year about 200 container ships on the main trade routes will have replaced 347 conventional vessels. As might be expected, these new vessels are of very high value. They also have a high service speed, and spend comparatively little time in port. This is very different from the cargo liner of the past, which at one time was said to spend more time in port than at sea.

Despite the mammoth values at risk today, and the even higher values which are forecast for the future, so far there have been no capacity problems in the marine market. There is quiet confidence that there will be adequate capacity world-wide, to meet the needs of the future, but underwriters

add darkly that, to some extent, this will depend on that somebody's theory may prove to be wrong in practice.

Naturally, in profitable times, underwriters are prepared to take more of a risk, and others are encouraged to come into the market. Unfortunately, however, the greater is the capacity for the high valued vessels, the greater is the competition likely to be for insurance on smaller vessels, since every underwriter wants to have as well spread an account as possible. This, incidentally, is where the London market has the advantage over much of the rest of the world. For hull business, it has probably the best spread account of any market.

As the number of Very Large Crude Carriers builds up, the problem of an unbalanced underwriting portfolio for this class of vessel is receding, even though it is not every vessel which is offered to the commercial insurance market on a full insurance basis.

One of the chief problems for the future will be the liquid natural gas carriers. Values of up to, say, \$100m. or so have been forecast. Admittedly, gas carriers have had quite good experience so far, but the vessels now building are very much larger than anything which has been seen before, and size generates its own problems. Underwriters, for instance, are somewhat disturbed by the fact that naval architects have not yet agreed on the best system for carrying liquid natural gas, and clearly this year the premium rate on

there is the distinct possibility that somebody's theory may prove to be wrong in practice.

Off-shore rigs

It has been the London marine insurance market, particularly underwriters at Lloyd's, which has met the increased demand for insurance protection resulting from the rapidly expanding off-shore exploration for oil and gas. There were plenty of setbacks at the outset, but the London market was not deterred.

Despite the fact that there are more rigs in commission than at any time in the past, the mobile drilling platforms still represent a very large egg in a very small basket, when compared with other classes of business. A modern, semi-submersible rig capable of operating in the North Sea in all seasons, costs about \$25m. but fixed production platforms with all their equipment can easily cost three or four times that figure. Clearly, the accumulation of highly valued equipment in some areas is causing concern.

The aviation market, also, has not run into any serious capacity problems so far, although, at one stage, there were doubts as to whether there would be sufficient capacity, world-wide, for the wide-bodied jets. Fortunately for insurers, experience with these jets, so far, has been very good. This year the premium rate on

a Boeing 747 operated by airline with a good record, has been about 80 per cent. of year's rate, and in the rate of 35 per cent. to 40 per cent. of the rate which was charged three years ago.

Surprisingly, it is not only fleets with good records which have been able to obtain reductions in rates. In some cases, due to pressure, existing policies have been cancelled, re-written at lower rates, always for those fleets with best records.

One of the most difficult areas for aviation underwriters is the field of liability insurance. The difficulty lies in knowing what is an equitable rate premium to charge, bearing in mind that, on occasions, it may be ten years after an accident before all the liability claims are settled. Unfortunately for underwriters, when a claim is settled it tends to be settled according to values ruling at the time rather than when the accident occurred. Thus underwriters have to take into account the inflation when calculating today's premiums.

Liability cover

Very high sums are insured in connection with liability. For instance, it is common for major airlines to have liability cover of up to \$100m. In some cases, this may rise to \$200m. or so.

As might be expected, international operators of aircraft are now insured "politically" and war in London is the dominant market for this class of business. The great bulk of this insurance is written in London and, from a few exceptions, a proportion of it is retained in the market. To a great extent, marine insurers have pioneered this business, chiefly because for a long time there has been an established market for risks on the hulls of vessels.

To try to avoid difficulties which have occurred in the past, in determining war policy should settle a particular claim, it is now customary for a commercial war risks policy to cover war, hijacking, sabotage, malicious damage, confiscation, etc., with these risks being excluded from the "risks" insurances.

Writing this type of business is far from easy, since it tends to occur in groups, particularly if there is retaliation of any kind. This is one of the reasons why, sometimes, premiums tend to be on the high side. Underwriters take view that the level of premium should be sufficient to pay a number of claims in advance.

Brief respite in losses in the motor account

By MICHAEL BLANDEN

There was a substantial improvement in the experience of the insurance companies on their U.K. motor business in 1972, reflecting the earlier moves to get premiums up sharply to more realistic levels. Experience varied considerably from one company to another, depending to some extent on the timing of the premium rises they had introduced. Overall, however, it is clear that the increases had gone a long way, not merely to keep up with the higher rate of inflation and the increase in claims costs, but to restore the industry to a more even keel after the competitive excesses of four or five years ago.

It is equally clear now, however, that the current year is likely to see higher losses again, as a result of the Stage One price freeze and the controls under Stage Two. The future application of the Government's counter-inflation policy in Stage Three and beyond raises questions not only over the long-term viability of motor insurance underwriting in the U.K., but also over the competitive balance within the industry and the possible distortions created by official controls over premium levels.

The worldwide motor account of the British Insurance Association companies produced an overall loss of £12m. in 1972, representing 1.2 per cent. of the premium income, compared with a £29.8m. loss, or 3.7 per cent. of premiums, in the previous year. Within this total, however, the experience varied considerably from area to area. In the "rest of the world" outside the U.K. and the U.S., experience deteriorated sharply, with losses on motor business coupled with the work of the rising from £10.7m. to £18m. But the U.S. showed some improvement, with the profit rising from £8.4m. to £9m. And the U.K. motor account produced a very marked swing, with the overall loss dropping to only £3m., or 0.8 per cent. of premiums, compared with £25.5m., or 8.6 per cent., in the previous year.

Research centre

Efforts to hold down the cost of repairs, it is true, are having some significant effect. The industry is particularly proud of the activities of the Thatcham Repair Research Centre, backed by the RIA and Lloyd's. The first report from the Centre, on the use of door skin panels in repairs, is reckoned to be saving the industry some £500,000 a year. Other work has included a report on painting techniques and a manual giving guidance on times for the removal and replacement of sheet metal body panels for a large number of cars. It is hoped that this work will gain further interest and support from the motor manufacturers in the interest of keeping repair costs down. And by the BIA itself, the industry considers it is able to make some dent in the upward pressure of costs.

Nevertheless, it is certain that virtually all the major companies in the industry would have been planning or considering further substantial rises in motor premiums during the course of the past year. The counter-inflation policy intervened first with a six-months freeze, then with the period of Stage Two under which premium rises have been severely restricted.

In applying Stage Two it was decided, first, that the control over insurance should be exercised not by the Price Com-

mission, but by the Department of Trade and Industry which also carries responsibility for enforcing the insurance legislation and protecting policyholders. Secondly, the industry agreed to subject itself to unusually rigorous controls under which, virtually all companies and Lloyd's syndicates, covering more than 90 per cent. of the business, pre-notified proposed rises in premiums.

In theory, the controls applied to all forms of underwriting certain difficulties, particularly

Continued on next page



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INSURANCE XI

The ever-increasing problem of protection against fire

By GEOFFREY FOSTER

Fire damage up 68 per cent in the first nine months of 1973 compared with the same period last year to £133.5m., is moment to well over £100m. per rather disappointing and infuriating to say the least for fire insurers who had hoped for improved figures this year following the signs in 1972 that the trend was improving. It has in fact worsened and, if this year's deteriorating tendency continues, the total figure for the year could be something approaching £150m. against a direct damage loss in 1964 of £13m.

The exceptional losses in Northern Ireland (which accounted for nearly 25 per cent. of the total in 1972), inflation, together with a higher standard of living, must contribute to the alarming increase, but not necessarily take all the blame if one considers that the number of fires attended by fire brigades in 1964 was 57,352 and in 1972 the provisional figure had risen to 244,611.

Up to the end of 1972, fire insurers had begun to feel hopeful that losses were at last being contained as a result of the ever increasing emphasis on fire prevention installations, and the re-rating exercises carried out in the past 12 years based on the experience in the various classes of business and the publicity given organisations to the subject of fire.

Surge forward

For no reason which is readily apparent, 1973 has seen a staggering surge forward in fire damage. It is correct perhaps to suggest that the trend of fire damage follows, to an extent, the economy of the country where industries are working at much greater capacity, more property is exposed to working hazards and, overall working conditions fall short of general safety standards where the volume of stocks increases and the value of buildings, equipment and stock at risk rises.

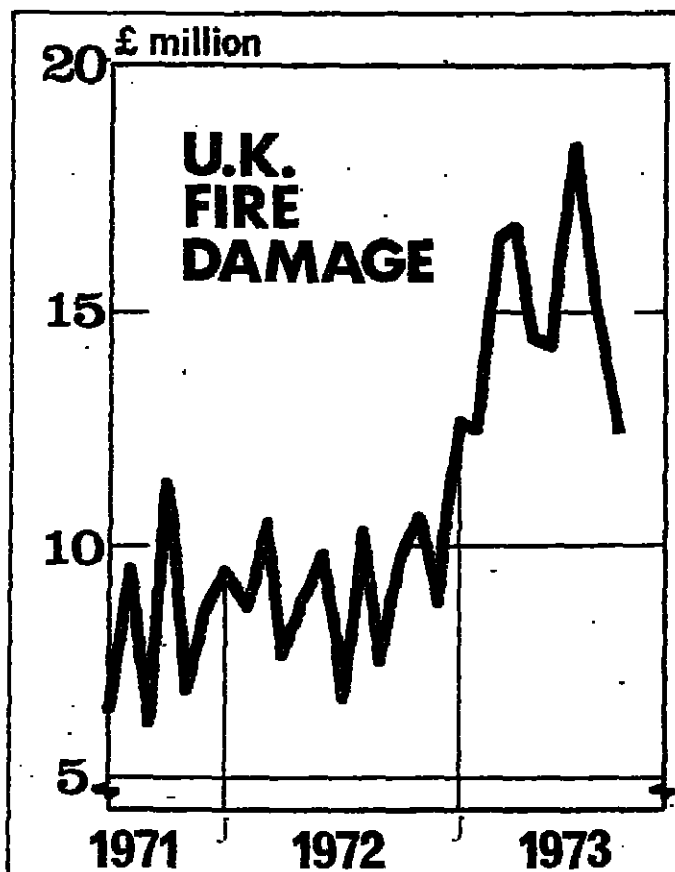
The estimates of material damage does not fully indicate what the country loses in terms of lives, wages, lost profits, medical expenses and fire brigade costs. Frequently the consequential loss far exceeds the damage. While on this point

Facts show that small fires are now more frequently becoming large fires (£10,000 plus). Fire losses in private dwellings have remained fairly consistent over the year which in itself shows that the increased damage figures can be attributed to the incident involving the larger losses. One department store alone accounted for £44m. of last year's figure.

Major cause

There must always be a cause of fire and it is in fact because of the Northern Ireland element, that damage through "malicious ignition" — arson, has become the major cause of fire. The figures in this category have shown an alarming increase since 1967 when the biggest cause of fire was that concerning the electrical equipment industry which accounted for around 105 fires in buildings at a cost of about £7,062m. Though still fairly sizeable in 1971, accounting for 136 fires at a cost of £9.2m, this cause has been displaced at the top of the tree by arson. Here, the figures have doubled in number and trebled in cost. In 1967, 91 fires were caused by arson at a cost of £3.24m, while in 1971 (the last year a complete breakdown is available) these had risen in number to 182 and in cost to £10.5m.

Various efforts have been made to reduce fire hazards. The anti-fire campaign that has been waged in the past by such concerns as the Fire Protection Association and the Central Fire Liaison Panel together with others such as the Fire Offices Association, the Confederation of British Industry and the British Insurance Association, always come up against the old-age problem which no fire extinguisher or fire-fighting apparatus can combat — apathy. Apathy on the part of industry and apathy on the part of the ordinary man or woman in the street who always think that it will be the other person who gets burnt. The figures already mentioned speak for themselves



and only the public's own intelligence and understanding of the terrible consequences that arise from fire, will bring about an improvement.

One industry which one seems to read and hear about regularly being affected by fire (and the Oban and Isle of Man disasters spring to mind almost immediately) is the hotel and pleasure park industry. On average, 20 hotel fires serious enough to be investigated by the fire brigade are reported each week. Although a vast majority turn out to be comparatively harmless, every year over 20 lose their lives in hotel fires and so far in 1973 the death toll has already risen to 23. The 30 or more really serious fires each year cause damage of £1m.-£2m.

Things should have started to improve last year if legislation and the 1971 Fire Precautions Act had worked. The Act which contained some strict rules which the hotels and boarding

houses etc., were meant to have abided by, last June, has not been a complete success. The procedure intended was that the Act, which covers premises which provide sleeping accommodation for six persons, including staff, would insist that hoteliers would have to apply for a fire certificate. On application the local fire brigade would then visit the hotel, inspect it and inform the owner if any alterations or modifications in protective apparatus had to be made. Only on completion of the work laid out by the brigade would a certificate be issued. However, this is where the problems arise.

Despite the threat of court proceedings if hoteliers failed to so apply for a certificate, by September of this year only 43,000 applications had been made (about a 1 in 5 ratio). Reasons for the poor response are obvious. There are something like 250,000 premises in Britain that fit the description

laid out in the Act, which only serves to underline the mammoth task the Fire Brigade faces to visit all the hotels in the country. Secondly most hoteliers are afraid of the expense that new, improved fire-fighting equipment might bring as the Act is quite strict in its requirements, which stretch from fire escapes right down to smoke detectors, emergency lighting systems and fire doors capable of holding out for half an hour. Although the introduction of the Fire Precautions (Loans) Bill in which local authorities can lend money to owners of smaller hotels and boarding houses obliged to incur expenditure under the 1971 Act at a chargeable rate of interest, does put the ball back in the hoteliers' court.

Trying year

Against this background, no one will argue that it has been another trying year for fire insurers. Still awaiting the outcome of the result of talks which are taking place between the FOC and the Department of Trade and Industry on whether the fire tariff will or will not be abolished following the Monopolies Commission unfavourable report on its existence, the insurers find themselves in a state of bewilderment.

Higher fire premiums will obviously follow bigger fire losses and only if losses continue to take an apathetic viewpoint and the show any sign of stabilising will Northern Ireland saga they be reduced. For example, times, the problems will continue to exist, for the insurer that fire insurance premiums and everybody.



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The motor account

Over the issue of determining motor business this year. The costs in relation to future six-months freeze intervened at a time when a number of companies would have been considering higher premiums in the new year, and though quite a number had put through increases during the summer of 1972 others were stuck with premium levels set nine months or so previously.

During Stage Two, moreover, the DTI deliberately took a fairly tough line with the bigger companies. Under the rules, in any case, it was clear that in determining the levels of premium rises that might be allowed no account should be taken of attempts to make up for past losses. And it was explained that special requests had been made to some of the more prosperous insurance companies to restrain their demands for higher motor premiums in the interests of supporting the Government's efforts to hold down prices.

The view was explicitly taken that where companies had substantial other sources of income — from investments or from overseas business, for example — and adequate reserves they should be able to hold down the cost of their motor business. Many of the applications for rises were scaled down by the DTI, and among the bigger companies the increases allowed ranged normally between about 6 and 10 per cent. — at the lower end of the scale, barely enough to cover the impact of VAT.

Surprisingly wide

It is also recognised, by the authorities as well as the industry, that the policy inevitably introduced some significant distortions into the pattern of competition in motor insurance. First, even among the bigger companies it must have had some such effect, simply because it effectively froze the relative positions at the beginning of November, 1972, when some companies had recently introduced premium rises and others had not. It may be partly this factor which accounted for the perhaps surprisingly wide range of premium levels which the DTI found for similar types of business when it got down to applying the prices restraints, with spreads of 20 per cent. or more quite common.

Secondly, the disparity is likely to become even more marked between the bigger companies and the smaller motor insurance specialists. In the latter cases, the DTI has not

been able to be as strict as with the big groups; it is recognised that its other duty, to ensure the solvency of the insurers is maintained, must mean allowing bigger premium rises where they are necessary to prevent a company getting into difficulties. The danger of this, it is also recognised, is that it must upset the competitive balance, with the possibility of more and more business being switched to the cheaper large companies. The prime example of both kinds of distortion was provided by the Norwich Union, a company which had been particularly affected by the freeze and had been running unchanged premiums since the beginning of 1972, and which found it necessary during the year to put a stop on taking new business transferred from other companies.

Mr. Anthony Grant, Parliamentary Under Secretary of State for Industrial Development, recently drew attention to the unavoidable problem that in considering an application for higher premiums the Department may at the same time be "trying to apply one policy designed to keep prices down and another to keep them up."

In this situation, he said "the requirements of solvency would prevail on the reasonable view that it is better for the policyholder to pay a bit more than for his claim to be endangered." This provides the background to some of the questions over the future of motor insurance business. Continuing the restraint on premium rises in the form so far established — even with the abandonment of comprehensive prior approval under Stage Three — may imply increasing the imbalance of competition and possibly the effective freezing of the business as companies find it necessary to resist transfers from other companies. It may also raise the question when it will become possible again, in a sensitive area such as motor insurance, for the companies to aim at raising their premiums to levels insurance specialists. In the which will produce a significant profit.

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Year	Premiums	Profit/loss	% of premiums
	£m.	£m.	
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1972	384	-3.0	-0.8

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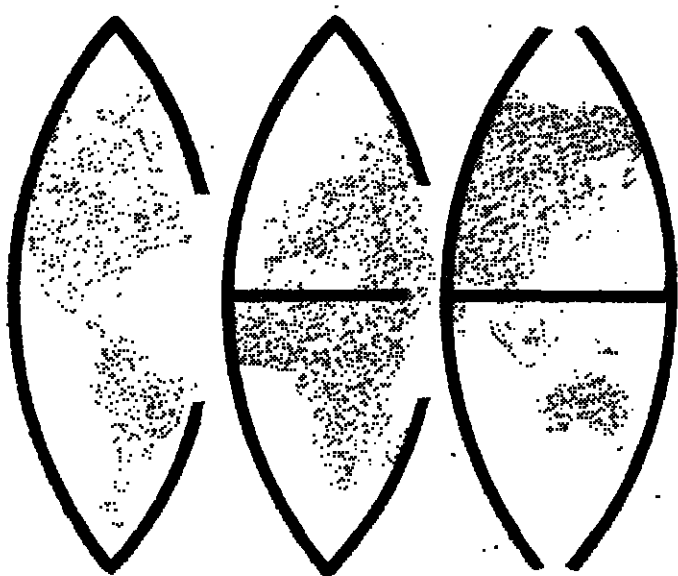
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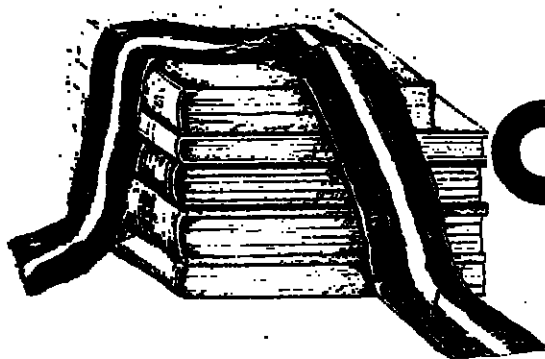
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INSURANCE XII

Lloyd's flexibility stands it in good stead

By JOHN GASELEE

When an organisation is unique, this brings both advantages and disadvantages. For instance, there is nothing else, where in the world comparable to the insurance market at Lloyd's with the risks accepted being run by individuals with unlimited liability. Certainly the prestige of Lloyd's, and the publicity which it attracts, is out of proportion to the share of the insurance business written by the market. One disadvantage is that if rules are drawn up for insurance companies, etc., they are unlikely to be suitable for a market such as Lloyd's. Nevertheless, in recent years there has been plenty of co-operation all round, and the Common Market authorities are managing to introduce special formulae into the insurance legislation, so that rules applying to insurance companies can be suitably amended.

Currently, premium income for the Lloyd's market is running at well over £700m. per annum. Some of this represents premium "reserves" from earlier accounts, since the procedure is that each year of account can be closed after it has been open for three years—is for the whole account to be re-insured by those "names" participating in a subsequent year of account. In a way, this is simply holding back premium for future claims, but it does mean that each year of account can be closed after three years, and profits distributed.

At one time it was felt that three years was sufficiently long period during which most of the claims might be settled, leaving comparatively few to be settled by those underwriters re-insuring the particular year of account. In recent years, however, there has been a tendency for there to be a much longer delay (for a variety of reasons) in the settlement of claims. As a result, in many cases there has been an increase in the amount of re-insurance premium which has had to be paid before a year of account could be closed. For many types of liability claim, where arguments can spread over many years, a substantial proportion of the major claims may very well not be settled within the three-year period.

Little reserve

Profitability has been good in the case of those accounts which have been closed in recent years. For instance, the 1970 account, closed at the end of 1972, produced a profit of £85m., representing about 8.26 per cent. of the premium income of more than £786m. If, however, one looks at the underwriting on its own, without the contribution from investments, the margin was only 4.4 per cent.—which leaves very little reserve for the catastrophe, currency fluctuations, etc.

In the past, when it was easier to make underwriting profits, many syndicates concentrated more on the underwriting than the investment aspect. Latterly, however, the investment aspect has taken on increasing importance—as can be judged from the above figures. Even so, underwriters at Lloyd's are different from a number of com-



The Long Room at Lloyd's.

panies in the London market in that they are not anxious to write risks for a relatively large volume of premium, with a view to the investment opportunities, in the knowledge that in due course (but, perhaps, not for some years) all or a substantial part of the premium will have to be paid out in claims. Lloyd's underwriters are faced with limitations on premium income which are imposed solely on the

grounds of security. At one stage, because of these premium income limits, there was a serious shortage of "capacity" in certain sectors of the Lloyd's market. But recently, because of the good results being published, there has been a marked influx of new members, with a resultant increase in capacity. Now, for the normal run of business, there are no capacity problems.

Last year, 894 candidates were elected as members of Lloyd's, more than double the previous highest figure of 435 in 1971. All the indications are that about the same number of new members may start underwriting on January 1 next. The "wastage" of members is comparatively low. In each of the last two years, about 90 members have died, and an average of about 60 have resigned.

The future is not going to be easy, because of inflation, severe competition throughout the world, and a number of other factors. The 1970 profits may look attractive, but, as the chairman of Lloyd's has said, any underwriter who is underwriting hull, fire, liability, or motor risks to-day on 1970 rates will not be underwriting in 1974—his losses would be that heavy.

The indications are that 1971 will be profitable and, certainly, the percentage settlements for 1971 are better on all classes of business than for 1970 at the corresponding stage. That, however, is not an infallible guide since there is a tendency for claims to take longer to settle than in the past. What must be remembered is that a great many claims have been settled this year on the 1971 account,

and they are in a foreign currency. Underwriters, therefore, have had to pay much more to buy that foreign currency than if they had bought it in 1971 or 1972.

For Lloyd's, which derives about 75 per cent. of its business from overseas, the deteriorating currency position has made foreign claims that much more expensive to settle. Earlier in the year, the chairman said that the fall in the exchange rate of the pound alone was enough to obliterate the profit on the 1970 account.

At the moment, the Lloyd's market is facing fiercer competition (particularly from the U.S.) than at any time in the past. Particularly in view of the increase in membership, Lloyd's underwriters are anxious to turn down business, because they need a certain volume of premium. Nevertheless, some rates have been brought down by competition to levels which will almost certainly prove to be uneconomic. Underwriters quite appreciate that if they turn down the renewal of a risk which they have insured for many years, it will go to a competitor and they may never see it again. As a result, while appreciating that many premium rates are too low, a number of underwriters are hoping to ride out the storm, and that much of the competition will fall by the wayside.

Greater expertise

Certainly, when thinking of competition, Lloyd's has two advantages—its expertise and low administrative costs. Probably at no time in the past has there been greater expertise within the Lloyd's market, and certainly never has it been more needed than to-day. There is increasing specialisation on the part of underwriters, but, even so, to a great extent they must be dependent on the advice and recommendations given by technical experts within the various fields.

Underwriters' statistics have become much more sophisticated in recent years, but the tendency is for each syndicate to keep its own statistics. They could well be a case for the market as a whole maintaining comprehensive statistics, against which individual syndicates could judge their own figures.

To operate in the City in any form these days is not a cheap exercise. Nevertheless, for underwriters at Lloyd's, overheads are very much lower than for insurance companies in the City or in many other parts of the world.

Lloyd's is proud of its traditions, but is always ready to make changes when necessary. The flexibility of the market is one of its great advantages, which will stand it in good stead in the changing conditions of the future.

BIA re-defines its role

By MICHAEL BLANDEN

During the past couple of years a good deal of effort has been put into the problem of re-examining and re-defining the role and operations of the British Insurance Association, both internally and from the point of view of its external relationships. In the aftermath of the Vehicle and General crash in early 1971, the Association was presented with a considerable problem in overcoming the damage done by that situation to its public image. It was necessary to make it clear at the time that, in spite of earlier publicity, the BIA had no pretence to take on any role of monitoring or controlling the insurance industry. Given its structure, as by and large a trade association like any other, it lacks the sanctions which would be necessary to carry out any function of this kind even if it wanted to take on the burden.

While the BIA has for these reasons tended to keep a fairly low profile in its public relations during this period, however, it has in fact been probably more involved than ever before in detailed and extensive co-operation with the Government and other authorities in areas of major public interest. As a trade association, the BIA has to keep in mind that its main business remains the "protection, promotion and advancement" of the insurance industry. But in the nature of that industry, it is unable to avoid a duty to responsibility to the public and to the authorities which have to exercise control over the industry.

Unusually diverse

Two obvious examples of this stand out in the past year or so. First, the new insurance legislation, prepared at a time when it had become clear that the protection offered to policyholders under the previous Acts needed strengthening and with the full co-operation and support of the insurance industry. Secondly, the recently established Institutional Shareholders' Committee, set up as the result of the initiative of Lord O'Brien when he was Governor of the Bank of England, which the BIA members after some initial opposition eventually found it possible to support.

If the BIA recognises the importance of its public role, however, it also has to face the fact that like any trade association it has to retain the support of its members. It cannot move too far or too fast if the main body of the industry is not thinking on the same lines. And in some

ways, it has greater problems than most associations of this kind simply because its membership is unusually diverse, in terms of the variety of the domestic and international business involved and of the size and opinions of its membership. These two strands, the importance of the BIA's public role and the difficulty met at times in establishing a common view, run through many of the recent events in which it has been involved.

Much of the work carried out by the Association is, as in any other association of this kind, of a fairly routine character and designed primarily to help the interest of the members. The work of the Motor Risks Statistics Bureau and other work on risk statistics, for example, is directly relevant to the way in which the members carry on their business. Even here, however, the operation impinges on the public interest: the statistics produced by the MRSB have recently started to be provided to the Department of Trade and Industry as a contribution to carrying out its responsibility for supervising the industry's solvency.

The same is equally true of many other of the operations carried out by the BIA for mainly internal reasons. The Thatcham motor insurance repair research centre, a joint venture with Lloyd's of which the Association is particularly proud, is clearly of benefit to the members—it was reckoned that the first of its reports has been saving the industry some £500,000 a year as the result of improved methods of car door repair. It is also, however, important to the motoring public generally as one form of activity which holds out the hope of limiting the rapidly rising costs of motor insurance.

In other areas the public relations activities carried out by the BIA as the insurance industry's representative are of much wider significance than merely internal. For example, the activities of the Central Fire Liaison Panel in the difficult fight to contain the costs of fire losses and the Association's co-operation with other authorities in crime prevention represent a significant contribution at a national level.

The nature of the industry also involves the Association in a relationship with the Government which must be regarded as exceptional. In this area, again, some of the activities concerned are mainly of a technical nature and concerned with the "protection" aspect of the BIA's functions. In this category, for example, would fall the

work done on taxation, in relation to the introduction of VAT and of the new corporation tax system. Of more general interest is the co-operation now necessary to cope with the implications of Common Market membership and the new and possibly more restrictive legislation which this could entail.

The relationship with the Government, as well as some of the problems with which the BIA has had to come to terms, are illustrated most obviously by the new legislation for the control of the insurance industry brought in this year. The co-operation with the authorities has probably never been as close as during the period of consultations which led up to the formulation of the new Act. And the process can be counted a considerable success for the BIA as representative for the industry. It has succeeded in facing the problem which arose in the wake of the V and G situation, of defining more clearly the areas which it is appropriate for it to concern itself with and those which it is necessary to leave to the authorities.

Traditional freedom

As a result of the Act, it has been made quite plain that the responsibility for policing the insurance industry must rest with the DTI with the help of its considerably extended supervisory powers. In another area where the industry had been expressing concern for some time, provisions have been built into the legislation to ensure the segregation of life assurance funds and the protection of their policyholders. At the same time, however, the Act has retained the principle of most importance for the insurance industry, the "freedom with publicity" approach to supervision which leaves it still with its traditional freedom of operation.

It is perhaps in the area of shareholder protection that the BIA has been seen at its most uncomfortable in the past year. The activities of its investment protection committee, like those of other institutional shareholders' groups are obviously of importance outside the membership of the Association even where they are of a largely technical nature. On controversial issues like the Mersey Docks and Harbour Company argument, for example, the weight of the insurance companies can be crucial to the negotiation of settlements in the best interests of all investors.

In many ways, the BIA is

Continued on next page

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INSURANCE XIII

Brokers' growing influence as a sales outlet...

By ROY LEVINE

Because of the size and nature of the U.K. insurance industry, insurance brokers provide an essential retail sales outlet for insurance companies. The importance of brokers was indicated by a study carried out by the Economist Intelligence Unit for the Corporation of Insurance Brokers which showed that their share of certain sectors of the total insurance market was predominant. For instance, the total market for marine insurance, both in the U.K. and overseas, is written in the U.K. by brokers, of which no less than 90 per cent. came from brokers. Similarly, 93 per cent. of pensions business is written by brokers.

Next comes commercial and personal accident insurance and brokers introduced 74 per cent. of the £420m. Brokers are, however, relatively less important in other forms of insurance business and the figures show that they account for 30 per cent. of the £180m. private motor business, a fifth of the £55m. household insurance, virtually nothing of industrial life and 29 per cent. of ordinary life which was worth £875m. in total.

There are three main forms of retail distribution for insurance companies: direct selling, which can be from door-to-door or over the counter, coupon reply advertisements, and brokers.

Of the three, coupon reply advertisements is perhaps the less important in actually bringing in business although this form can bring benefits through greater awareness of a particular insurance company or product and is often used when new companies or products are launched.

Selling methods

This variety of selling methods is one of the major obstacles to regulating the marketing of life insurance, both through legislation or self regulation in the industry. This fact was recognised in the Sir Hilary Scott report on linked-life insurance earlier this year. The committee cleared of many of the controversial suggestions laid down by professional bodies like the accountants and lawyers which recommended, for example, that insurance salesmen

be licensed. Instead the committee stuck to issues that could be implemented without disturbing traditional methods of retailing.

In the meantime, there has been a great increase in the proportion of life insurance sold by full-time professionals. Six years ago over 90 per cent. of life insurance was sold through part-timers, whereas now the proportion must be around 50 per cent.

This has resulted from the considerable growth of life broking firms and the development of sales forces, as well as the clearing banks decision to build up their own broking services to replace the agencies operated by branch managers.

This development is of mutual benefit to the public and life insurance companies. Independent insurance brokers can pick and choose from the whole market and thus offer a client what they consider to be the best policy—while the dependence by a company on brokers to some extent ensures that the company has to be competitive in products, rates, bonuses and investment management. In

helping to build up the image of life insurance, brokers are provide a personal service if important since they can be asked to do so but prefer to influence the choice of a life concentrate on their traditional policy which the public buy. In commercial business for large this respect it is significant that groups.

There are around 260 firms of Lloyds brokers who actively handle, place and develop new assurance and ordinary or conventional assurance as far as selling was concerned. Generally, these firms range in size from those with only a handful of personnel to the large and conduct from a handful of publically quoted companies create a stigma for the industry, whose market capitalisations are sometimes greater than those of some insurance companies. Because it is such a competitive environment, specialisation in certain fields has evolved among many of the firms. Thus some firms handle only marine or aviation or motor insurance while others only deal in re-insurance.

The expenses of running a firm of Lloyds brokers are usually greater, *pro-rata*, than those of running a firm of non-Lloyds brokers. The bulk of the annual premium income comes mainly from overseas thus helping to boost the nation's in-household and commercial insurance broker plays a more prominent role than in most other countries. This is because agents are usually tied to sell one kind of insurance and are ingredient in this "mix" sometimes licensed in countries abroad.

The existence of this second force in the U.K. has benefited both the public and the industry itself. In many cases life assurance and other some of the leading brokers personal financial services, have helped develop new handling personal accounts is policies for needs which they usually unprofitable and thus have seen before the insurance can become an administrative companies.

...and their service to the insurer

By KEITH LEWIS

The insurance broker has played a major role in the growth and evolution of the insurance industry in all its many forms. The last time a market research job was carried out on the insurance industry was in 1970, by the Economist Intelligence Unit; the figures, in fact, related to two years prior to that. Looking at the U.K. in isolation it was found that brokers were responsible for around 74 per cent. of the commercial/industrial insurance, for around 90 per cent. of marine business and pensions and just about 30 per cent. in the cases of private motor insurance and life assurance. With the possible exception of the latter it is unlikely that the picture has changed very much since then. Of a total £420m. collected in 1972 in the way of insurance premiums, brokers accounted for some £38m.

Uniquely placed

The question is often asked why anyone should wish to buy any form of insurance or life assurance through a broker when it perhaps makes more sense to deal with the insurance company direct. And, conversely, why should an insurance company be prepared to pay commissions to brokers for similar reasons. The answer is that brokers are uniquely placed to offer a client advice which is based on the ability to shop

around. And if the insurance is sold properly the client will stick and probably put more business that way. Our cost-conscious corporations almost invariably operate through brokers, and it was significant when recently British Leyland, which had taken its business away from brokers to deal with on its own, came back in and employed a broker to transact its insurance business.

It is virtually impossible for one insurance company to offer the best contracts in every field of the insurance market and as many brokers will be prepared to testify there is no such thing as "one-stop-shopping". Brokers have been responsible in the past for a fair amount of innovation in the insurance industry, simply because they are in a field coming to grips with a variety of problems to which solutions have to be found. One very good example of this has been the development of the "all risks" policy. Others will doubtless follow and it is certainly true in the life assurance industry that much of the marketing strategy in the single premium bond market has been formulated on the advice of brokers. If the brokers are not pleased with a product then it certainly will not sell; it is quite wrong to suggest, certainly with the major companies, that heavy commission is the sole reason for the success of any savings

product. Any major broker will be more concerned with design of product and the service which the life company can give, the level of commission is naturally a consideration, but not an overriding one.

It is true, however, that a certain fringe element in the broking fraternity has been responsible for mis-selling some forms of life assurance. Single premium bonds have lent themselves most readily to this, especially with the companies writing this type of business eager to carve out as large a market share of this growth area as possible. Some companies have formed their own direct selling organisations, have found them too difficult and expensive to control, and have subsequently abandoned the idea. Thus, with some brokers employing their own sales forces it is even more difficult for the insurance company to monitor the conduct of salesmen. However, if the recommendations put forward in the report by Sir Hilary Scott in April of this year—including the introduction of a "cooling off" period during which the client may change his mind—the situation should be tightened up considerably.

Three avenues

In the savings market, the life company really has three avenues open to it: it can advertise in the newspapers, it can employ a sales force, or it can operate through the broker market, or it can do all three. Some companies, however, like Hill Samuel Life, rely almost solely on the broker market for business and employ representatives to keep in close contact. In this way it is possible that the broker will have a direct influence on the nature of new policies.

An example of the growing stature of brokers may be seen in the emergence of risk management subsidiaries. The term "risk management" in fact involves the identification and elimination of areas of risk—whether they be related to assets, earnings or persons. In many cases the risk management consultant will be able to bring about a considerable reduction in insurance premiums merely by implementing basic precautions within a company. One of the tasks in formulating a report will be a review of the insurance portfolio of a company. In some cases the insurance may be inadequate, while in others it may be more advantageous to actually carry more of certain risks. In other instances the consultant may well recommend the setting up of a "captive" insurance subsidiary to transact the company's own business: such a company opens the way to the immensely important reinsurance market.

To-day's broker, then, is a highly skilled professional who will be dealing with all manner of problems, both domestic and international. The relationship with the insurance companies is vitally important to both parties concerned, and, ultimately, the consumer. With the growing complexity of contracts offered the broker's function is essential since it remains a truism that "insurance has to be sold."

CONTINUED FROM PREVIOUS PAGE

BIA

apply to co-operate with other authorities in this area; in the support of the Takeover Panel Code, for example, and in contacts with the Stock Exchange. Where necessary, it is able to take important initiatives as in the rules which set out this year for the conduct of share option and incentive schemes.

The BIA, however, has tended to be among the less publicly live of the investment protection committees—compared, for example, with others such as the National Association of Pension Funds. And this year the Association was without doubt in difficulties when it found itself a result of the initiative of Lord O'Brien, involved in the wider debate over the public responsibilities of large shareholders and their role in encouraging the improvement of industrial management.

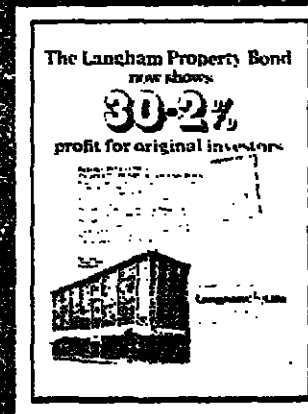
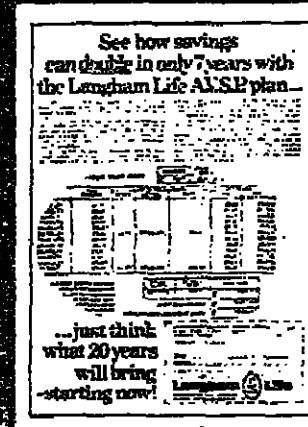
It was after considerable consultation that the BIA eventually saw its way clear to supporting the joint Institutional Investors' Committee in a move which was considerably cheered down from its initial inception. There is still considerable reluctance within the industry to take on too active a public role in this area, and for example by Lord De la Brie, chairman of Phoenix Assurance in his annual statement this year.

While agreeing that in certain cases it might be appropriate for consultations to take place between institutional shareholders, he stressed their responsibility for the

investment of their clients' funds and showed reservations about the establishment of an organised and public joint operation among them.

This illustrates the problems of leading a group of diverse and powerful institutions of the kind of the BIA membership. And it is perhaps partly for this reason that the Association shows no apparent inclination to join a trend evident elsewhere in the City to set up a structure designed to provide a more active leadership and a more conspicuous public voice. Both the Stock Exchange, with its plans to appoint a chief executive, and the banks, with Lord O'Brien's appointment as President of the increasingly influential British Bankers' Association, have indicated that they are moving in this direction. But the BIA prefers its present system with a chairman from one of the member companies backed up by an effective permanent staff.

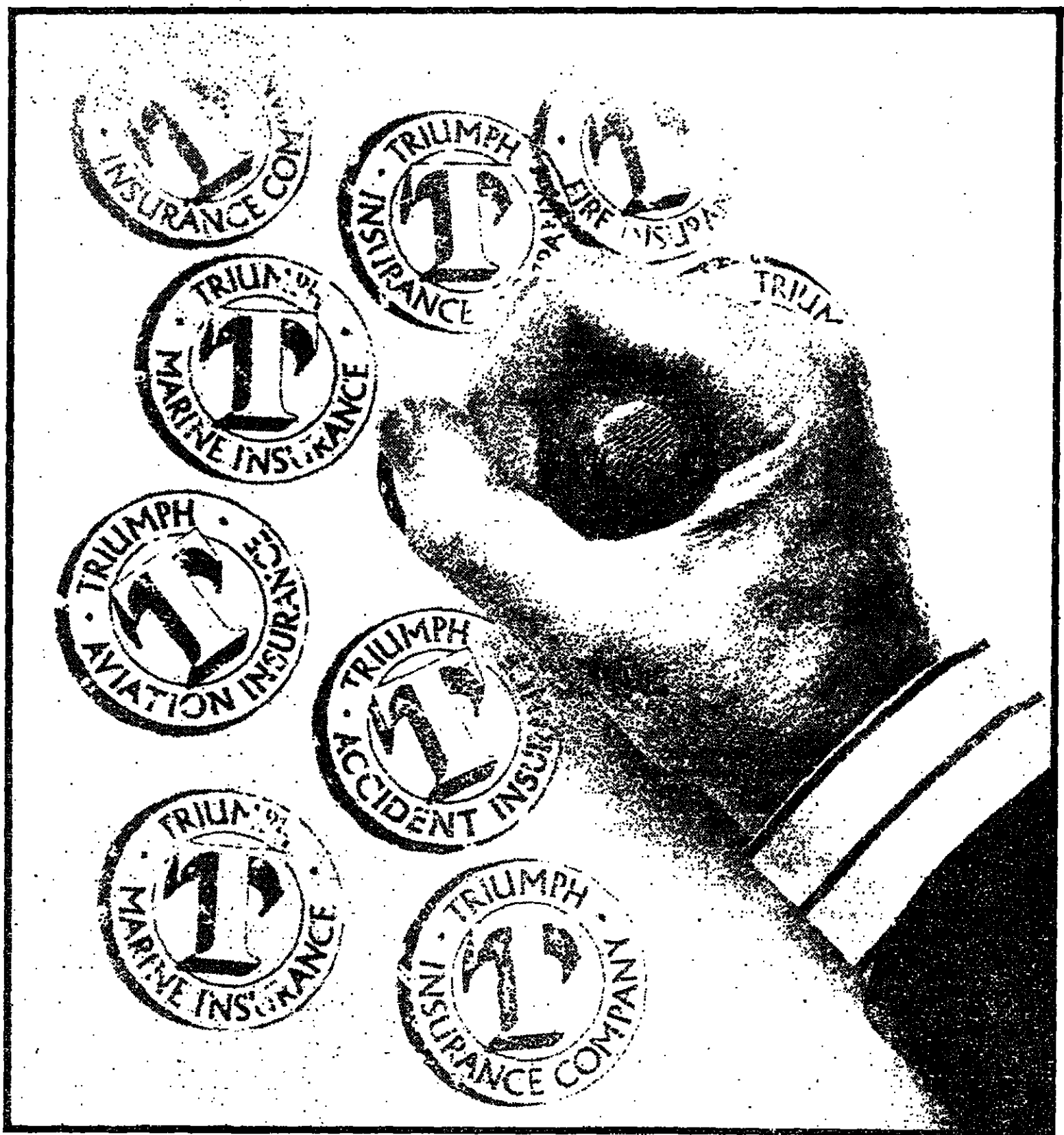
It is time-consuming for the chairman and for other members of the industry who are seconded to carry out various negotiations on its behalf. But it ensures that the various points of view within the BIA membership are listened to. The problem is unlikely to get any easier when the Association carries through its plan, in the light of recent events, to extend the opportunity of membership, at present restricted to U.K. and Commonwealth companies, to all insurers established and licensed to carry on insurance business in the U.K.

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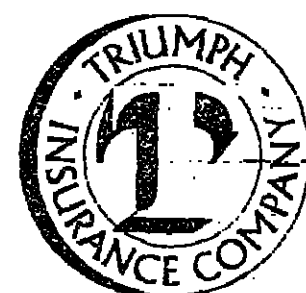
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INSURANCE XIV

New interest in risk management

By KEITH LEWIS

The "risk management" concept is still fairly new to this country: it was imported from North America—where it has been an accepted practice for over 30 years—towards the end of the 1960s. Acceptance of risk management is now accelerating rapidly, although there is still the basic resistance to anything that involves some form of discipline and also that defies exact definition. Mr. L. J. Meldrum, of Risk Management Consultants, describes the aim of risk management as follows: "To protect assets, earnings, liabilities—and people—against risk, with maximum efficiency, and at minimum cost."

Fancy device

To a great many people risk management remains a fancy device for selling insurance, and something that any good insurance broker has been doing for years any way. And it is true that most risk management groups are subsidiaries of insurance brokers. However, to put this criticism into perspective, insurance is quite frequently used as a "tool" for laying off risk and the overall job in fact involves quite a good deal more than that. In many cases corporations will only entertain the idea of risk management if the recommendations involve saving sufficient insurance premiums to pay for the survey.

It has been on the major companies that most impact has been made—so much so, in fact, that a few have even appointed their own risk managers. The purchase of insurance has, in the past, quite often fallen to junior staff or perhaps the company secretary of a company. But insurance costs for the large corporation have swollen so dramatically in recent years that it has become a major expense item. And also, of course, the extent of insurance cover has stretched to take into account changes in our society. An example of this would be where a company covers itself against any possible loss arising out of pollution.

The consultant's job is to examine and prepare a report of the areas of risk exposure for a fee, and then it is up to the company to decide whether it goes ahead or not. The company may even accept the recommendations and take the business elsewhere. However, to help the consultant prepare that report will be a team of experts: some consultancies have their own staff engineers, chemists, surveyors, loss assessors, industrial hygienists and, of course, insurance technicians. The advice could range from bricking up a doorway to installing sophisticated equipment costing thousands of pounds.

The most common area of risk remains fire protection. The installation of a sprinkler

system, for example, may save a firm a large chunk of insurance premiums as well as providing a great deal more safety for the people involved. Advice is often given as to the actual equipment that should be installed. The recommendation may merely be to separate buildings where there may be a high concentration of value; or to introduce a safer method of stacking in the case of a warehouse; or to sealing up a hole in a wall to prevent spread of fire.

Industrial spying

Security is also looming large at the moment with more and more cases of industrial espionage. Computer security is particularly important since the knowledge stored is available to anyone who has access to the computer itself. It therefore becomes vital that no unauthorised persons have such access, that staff are carefully chosen and that there are adequate precautions outside working hours.

The volume of legislation designed to protect the consumer of either goods or services has greatly increased corporate liability. Environmental conditions for staff are of utmost importance—even the seemingly mundane items such as lighting, heating and ventilation—since these can expose a company to personal claims for

damage. Accident prevention is obviously another very important area.

There are a great many recommendations that will come in the "common sense" category. Take, for example, a company that relies for raw materials on just one supplier. If that supplier should suffer a total loss of production—through, say, a fire or power failure—then the company could be faced with a serious consequential loss, especially if the end product relies on a consumer following which could be destroyed if not kept on display.

A loss of market share could be permanent with some items. In such a case it is quite often possible for the company to come to a two-way agreement with a competitor to the effect that sufficient raw materials (or even end products) are supplied to keep production lines flowing. Another example of taking fundamental precautions would be where a company may stock all its valuable goods in one building when perhaps it may be a lot safer from the fire hazard point of view to spread the goods over a number of sites. Another essential is that all the top executives should never travel together on the same aircraft. All of these things illustrate the basic function of the consultant, which is to identify and render harmless possible areas of risk. The larger company, spend-

ing perhaps £1m. per annum in arguments and more use of the way of insurance premiums, self-analysis. And on top of the can save quite large sums of money through implementing such overall plans, which partly decide how much risk it is up to every company to carry and how much should be laid off. But with a large number of other issues coming into play, such as a company's responsibilities not only to shareholders but to society in general, it is likely that insurance buyers, second, it will risk management concept, to be more used to paying fees for grow in stature and that more susceptible to financial become interested.

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Medical schemes flourishing

By ERIC SHORT

In these days of a comprehensive National Health and Social Security Service, the need for the provision of various forms of sickness insurance would be expected to be marginal. This is far from the actual situation. This branch of insurance, although much smaller than the main branches, is flourishing and growing steadily.

The reasons for this situation are many. A discussion of them then there would be little demand for the types of policies offered by the industry. In fact business is looking up. What is required is that such business, as with other branches of the insurance industry, is run, on Health. Also, more and more people are making use of the services available in private medicine.

But the cost of private medicine is heavy. One way to meet such expense, if and when it happens, is to take out insurance against it. This is one branch of sickness insurance, a very important one and possibly what the man-in-the-street

understands by sickness insurance.

The second fact is that there are gaps and weaknesses in the benefit structure of the social security system. Extra expenses can be run up at times of illness. Sickness insurance can provide additional benefits at these times and help to fill such gaps in the social security system.

If this was not the situation, then there would be little demand for the types of policies offered by the industry. In fact business is looking up. What is required is that such business, as with other branches of the insurance industry, is run, on Health. Also, more and more people are making use of the services available in private medicine.

As stated, an important area covered by sickness insurance is provision to meet the cost of medical fees and hospitalisation for treatment in the private sector of medicine. The benefits provided comprise the costs covering hospital or nursing home accommodation charges, specialists' and surgeons' fees. Usually, there is no restriction on the period of claim, nor on continuity once the insurance has been effected.

The dominant organisation providing this type of insurance is The British United Provident Association (BUPA). It is a non-profit making organisation, whose activities extend beyond the provision of insurance of hospital costs. BUPA offers a very comprehensive series of benefits designed to suit most pockets and tailored to meet most needs. The number of registrations has grown from 39,000 at the end of 1948 to 795,000 at the end of 1972. Of these registrations, two-thirds are from group insurance and one-third individual insurance. These figures illustrate the growing use being made of such insurance schemes.

Group subscribers

The growth in the number of group subscribers has been a characteristic of hospital sickness plans. Employers are taking steps to provide sickness cover for their employees. The reasons for this development again arise from one of the features of the National Health Service. Its monolithic size has resulted in a queueing problem for admissions to hospital. For an employer this has two effects. First, the uncertainty and waiting can have a detrimental effect on the employee and thus on his work. Secondly, when the admission does take place, it could well be at a time inconvenient to the employer.

With private treatment, these two effects can be minimised to the benefit of employer and employee. In addition, with the additional facilities available resulting from being in a separate room instead of a ward, it is much easier for employer and employee to keep in touch, once the immediate causes of hospitalisation have begun. Obviously, these arguments apply more to key personnel than to the ordinary employee.

The employer, in providing this type of group cover, is not only conferring a social benefit on his employees, but in the long run gaining economically by reducing the disruption caused by illness. In addition, the cost of such cover is an allowable business expense to the employer.

Cash sum

The second area covered by sickness insurance is the provision of what is known as "hospital cash." This is the provision of the payment of a cash sum for each night in hospital or registered nursing home. Extra expenses can be incurred when one is in hospital. There could be the additional expense of convalescence after a period of hospitalisation. Normal family expenses still arise in these times.

For those people whose salary or wages cease immediately on sickness, such payments would be very useful. The scale of payments under social security for sickness are often inadequate and supplementary benefits have to be applied for. This is a gap in the present benefit structure which sickness insurance helps to fill. Where salary or wages continue to be paid for a given period in the event of sickness the problem is not so acute. Nevertheless, extra cash would be useful to meet any extra expense. However, if it is the wife or other dependant who has to go into hospital, then the extra expenses such as obtaining help in the house could be considerable.

The type of scheme outlined above is valid whether the hospitalisation is under the National Health Service or as a private patient. In particular, such a scheme would commend itself to those who are self-employed. To these, sickness can turn out to be very expensive. For instance, a small shopkeeper might have to take on someone to mind the shop while he was away. Many schemes of this type are sponsored and sold, mainly by coupon advertisements, by American brokers operating in the U.K. They have acquired the expertise from the U.S., where sickness insurance, in the absence of a comprehensive health service, plays a more vital role in the insurance industry.

There is now a scheme available run by BUPA, in conjunction with the Clerical, Medical and General Life Assurance Society. The launching of their hospital cash scheme was made fairly recently. At present such promotion has been concentrated on BUPA private and group subscribers. They have found that there is a steady demand for this type of scheme.

The third area in sickness insurance cover is the provision of permanent health insurance. Under this type of insurance, regular cash payments are made when a person is suffering from a disability so that he cannot follow his normal employment. Such incapacity could arise from

accident or ill-health. Payments start from the end of a certain qualifying period from the onset of the disability and continue for the whole period the person is incapacitated. This could be right up to the terminating age, usually 60 or 65.

The object of such insurance is to provide for loss of salary or wages through prolonged absence from work or from being prevented from following one's normal work. This provides a very important source of income if the disability is for a long period. Under the social security system, the benefits provided are most inadequate. Even with the help of supplementary benefits, there is little chance that most people would be able to maintain themselves above the subsistence level.

On the private pension scheme side, the provision of early retirement or disability benefits has not received the attention that has been given to normal retirement or to widows' benefits. Often there is a need to supplement cover in this respect by private insurance. For the outlay of a comparatively modest premium, one can insure that during prolonged sickness, income will not fall below three-quarters of its current level.

Slack demand

The demand for this type of insurance is at present slack. But as one considers the growing importance being placed on the social responsibilities of employers, it seems inevitable that the demand will grow. The new unit-linked offices are beginning to interest themselves in the provision of these types of benefits. For such contracts which provide fixed income are severely affected by the ravages of inflation. The need to protect or "dynamise" the benefits is getting vital. It should be noted that the benefits paid are at present treated as unearned income by the revenue for income-tax purposes. This seems somewhat harsh if the person concerned is unable to earn his income in the normal way because of disability. But under the present arrangements there is a "tax holiday" in the first year of benefit.

Finally, the remaining area covered by sickness insurance is the provision of personal accident benefits. These consist of a lump sum payment in the event of death, with reduced lump sum payments for the loss of an arm or an eye. The total cash scheme was made amount paid is in accordance with a laid down scale.

So at present, sickness insurance seems to be fulfilling two roles. One is to help meet the costs of private medicine and the other to cover the gaps in the benefit structure of the social security system. These gaps appear to be largest where the self-employed are concerned. Unless there are radical changes in the present social security system, the sickness insurance industry is going to grow much more in the future.

JPK 10155A

Developments in the unit-linked field

by CHRISTOPHER HILL

When unit-linked life assurance first became noticeable in the early 1960s, the types of policies issued and the underlying investment vehicles were comparatively simple. The reason for this was that the unit trust groups mainly saw life assurance as a method of ensuring regular sales of units and allowing the investor to save with the benefit of life assurance relief. However, over the last few years the tax rules have changed (there has been a minimum death benefit of three-quarters of the premiums payable over the term of the policy to qualify for tax relief) and unit-linked life assurance is now seen as a major business in itself.

Idea of size

To give some idea of the size of the business, the Scott Report stated that the annual premiums for new unit-linked business in 1971 amounted to £29m, which was 21 per cent of the total annual new premiums for new regular premium whole life and endowment assurance issued that year. And, coming more up to date, the last edition of the Equity Linked Assurance listed 3 policies and estimated that unit-linked business was accounting for 25 to 30 per cent of new annual premiums. Moreover, progress on the single premium side has been even more marked. It has been estimated that sales of single premium life assurance bonds reached £100m in 1971 to £300m in 1972—the main reason for this being that the life assurance sales forces are able to sell bonds on a direct basis virtually like straight investments. In fact there is a school of thought which reckons that far too many bonds are being sold (with high expense loadings) to people who would be much better off just buying units without life assurance.

However, bonds are relatively simple to understand whereas the regular premium unit-linked life policies have become more sophisticated over the years. But they still basically split into two main types. First there are the policies which invest a certain percentage of each premium in units and reinvest the net income from units on behalf of the policyholder. With the majority of policies of this type there is a front-end loading, but in some cases a level percentage is invested throughout. The second type of policy is that where the company keeps the net income from the units for itself, but in return inflates the level of investment in units or declares reversionary bonuses in cash or units or both. The main basic new element which has been introduced in recent years is the open-ended policy which can be terminated whenever the policyholder wishes, though he must stay in for ten years to secure his tax relief. Other changes, mainly comprising the sort of ancillary frills usually associated with endowment policies such as loan facilities.

Apart from this, there have been no really fundamental innovations in the structure of unit-linked policies recently and the major change has been the enormously increased scope of investment options available with a unit link—not to mention the fact that the unitised principle has been spreading into non-life contracts such as annuities and pensions. Unit-linked policies started out linked to either unit trusts or equity-based internal funds, but the most significant factor since 1968-69 has been the rapid growth in popularity of first the property link and then the managed fund link. They both tend to fluctuate in popularity—and equity-linked contracts generally begin to revive when the equity market perks up—but the life companies have in any case a great many "horses for courses". These include a number of hybrid plans such as Jessel-Britannia Money Manager (where the fund managers decide each month which of the Jessel range of unit trusts will form the investment) and the Laneham Midas Plan where the equity fund is kept small and flexible and the growth element is drained off into a property fund.

The position with equities tends to be rather complicated for it is probably true to say that the public has less confidence in the U.K. stockmarket than it had before the sharp fall in 1970 and is more disposed to favour property investment which seems to be steadier (though perhaps more vulnerable politically). Equities also tend to be contrasted more with fixed interest returns and there is little doubt that anybody who kept his money on deposit at the bank or with a local authority over the past year would have done better than an average investor on the stockmarket.

There are now signs of recent unprecedentedly high interest rates falling—and this is fortunate for the industry because life policies cannot really be expected to maintain growth rates of the order of 10 per cent compound—although some of them were being sold on illustrations with these assumptions not so long ago. The bitter truth is that almost without exception bonds and plans based on internal equity funds have registered losses over the past year and although some unit trusts have done better than this they have been comparatively few.

Some of the longer-term records of the internal equity funds are also not particularly inspiring and in general policyholders seem to be better off with policies which are linked to unit trusts exposed to the full glare of the performance limelight.

More constant

As for the theories about the benefits of pound-cost averaging, equity-linked policyholders are more inclined to believe when units are averaging up than averaging down. On the other hand, there have been indications over the past year that policyholders are more receptive to the idea that fund managers can maintain a more constant rate of growth by playing world markets rather than just sticking to the U.K. and the U.S.

With unit price rises of anything up to 25 per cent over the past year the property link low.

Assessing reactions to the Scott Report

by CHRISTOPHER HILL

One way of assessing the life insurance industry's reaction to the Scott Committee's report on unit-linked life assurance is to look at the attitudes of associations, councils, committees and individuals who have taken the time to respond to it. They all have various axes to grind, especially the nine companies actively involved in linked business who for the most part contributed voluminous written evidence which often included volitional proposals—by life insurance standards. Moreover, a number of cases, their attitude was that the brief of the Committee was too narrow in that any sanctions which were applied to them would be equally applicable to the rest of the life assurance field which outside the committee's remit.

The Scott Committee was consciously aware of this conflict throughout the two years it sat (1971-April 1973) and in admitted that there was a in this argument. It admitted example that there was no fundamental difference between and other life assurance companies and fully recognised that "some of our customers may apply to other sectors of the assurance industry not included in our mandate." It also remembered that the Committee was reaching its conclusions the Insurance Companies Bill was being introduced in the House of Lords and a number of the recommendations have been included in the Insurance Companies Amendment Act, especially those relating to advertising and the "cooling period" after direct sale, and apply equally to all life insurance and not just unit-linked.

The result is that the Scott Report has been favourably received by the life insurance industry as a whole—and particularly by the companies prominent in the unit-linked field who in 1971 were uncomfortably conscious of the I.O.S. debacle and the criticism of high pres-

sure, direct selling. What they feared most was the specific extension of Government controls aimed at restricting unit-linked business. The Law Society, for example, suggested in its evidence that sales of linked policies on a door-to-door basis should be prohibited altogether. But, on the whole, the Committee came down heavily on the side of giving more information to the consumer rather than imposing strict Government controls. There was, however, a rider added by one of the members, Miss E. Roberts, who felt that full disclosure was not enough to protect the consumer and that there ought to be an Insurance Commissioner to act as watchdog; a system of maximum charges; the enforcement of a proper spread of investments, along unit trust lines; and standardised rules—applicable to all life companies—for the calculation of unit values. In her opinion, there were too many methods.

Sighs of relief

In a way this rider reflected the divergence of opinion in the life assurance industry at large. All breathed sighs of relief that the report was not calling out for restrictions, but some felt that the recommendations did not go far enough and that there were areas where the Committee had shrugged its shoulders and in effect said that it did not see what could actually be done. These were mainly concerned with the actual marketing of life assurance and where the Committee is particularly open to criticism is on commission payments and the control and education of salesmen and intermediaries. In many ways the Committee was burdened with the fact that if it attacked unit-linked methods it would also be attacking conventional life assurance practice.

On the commission problem the Committee came to the conclusion that it would be inequitable among companies to standardise commission payments and that the best method was

to make it obligatory for companies to reveal to prospects the proportion of the premiums going into investment and the proportion comprising the expense loading. And as for the licensing of intermediaries, the Committee felt that it would be "impractical to institute a system of licensing confined to linked life assurance and we consider that any system of licensing would need to apply to all types of intermediary." Indeed, they were right, for there is no less reason why the "Prig's" representatives, or solicitors and accountants, or insurance brokers should be any less qualified to sell life assurance than the direct salesmen of the most newly authorised company. This lack of a standardised set of qualifications for selling life assurance is still a sore point for the life assurance industry.

So far as acceptance of the Scott Report's recommendations goes, the unit-linked companies had gone a great deal of the way to meeting them before it ever appeared. Under a fierce onslaught of criticism from newspapers and from reformers within their own ranks, the linked companies went much further along the road towards full disclosure than they had ever done before. This was especially the case with the companies heavily orientated towards property bonds which now produce lavish (almost too lavish) annual reports giving every possible detail about the portfolios, including photographs. The question of having independent valuations of the properties was also quickly dealt with and every company is now completely open and above board about this. In fact one company, Old Broad Street Securities, recently went beyond Scott's requirements by deciding to value formally once a quarter instead of annually.

As for misleading sales material, unqualified growth projections and high pressure sales methods, it would be going too far to say that everything in

the garden was completely beautiful. A number of advertisements still contrive to give the impression that the sky is the limit and there is no bottom. Some brochures still do not give the kind of information an actuary or professional advisor would require to make a full assessment of its worth. And whatever control systems are installed it is still difficult to restrain the over-zealous salesman from claiming too much for the product when he is out in the field. Moreover, it is even more difficult to make sure that part-time agents and broker sales forces are doing their work properly. But, to do the linked life companies justice, most of them do make every effort to train their men properly—simply because they realise that they will sell more that way. Hambro Life, for example, has introduced its own system of licensing for its salesmen, allowing only those who have qualified to sell the more complicated products.

Taking place

As for the question of extending the Scott Report's recommendations to all forms of life assurance, this is already taking place and should not meet with too much opposition from life companies as a whole. After all, the lines between unit-linked and conventional forms of assurance have become increasingly blurred and a large number of the "traditional" life companies have fingers growing in the unit-linked pie. More important, the Insurance Companies Amendment Act 1973 has effectively put linked life assurance on all fours with conventional life assurance and has given the DTI wide powers to make regulations governing the form and contents of advertisements and to control other sales methods. This is a good thing for having powers to weed out the mavericks is probably more important than a heavy burden of legislation to make all companies toe the same line. And this view is certainly in keeping with the Scott Report.

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INSURANCE XVI

Leaders in the move out of town

By PETER RIDDELL, Property Correspondent

The insurance industry has been very active over the past few years in decentralising staff from one region to another as they move up the career ladder. Similar factors according to the Location of Offices Bureau records, insurance groups of all kinds have moved more jobs from the capital than any other single sector in the last 10 years.

A total of 20,651 jobs were dispersed in 1963-73 accounting for 18 per cent of the jobs decentralised, or about to be decentralised, in that period with the assistance of LOB. This figure covers 146 businesses—11 per cent of the 10-year total—highlighting the fact that insurance moves tend to be larger than the average. There is also evidence showing that insurance companies generally find it easier to move than other organisations since a higher proportion of inquiries are converted into actual moves than for the average of other sectors.

There are a number of reasons why the insurance business has been at the forefront of decentralisation. The basic one is that there is so much potential since a large number of people work in insurance in London and the South-East. Out of 256,400 insurance employees in Great Britain in June 1972, 130,400 work in the South-East of England. There are about 1,100 insurance establishments in central London.

Routine jobs

Moreover, insurance organisations employ a large proportion of people in routine and clerical jobs of various kinds and these are generally the easiest to move. At lot of these jobs can often be carried out anywhere within reasonable reach of London without any effect on efficiency—in fact, often producing an improvement, though there are problems as pointed out later.

Many of the largest insurance companies and brokers have national networks with several provincial branches. This not only means that communications within the organisation are not necessarily affected by a move but, most significantly, that employees above the clerical level are accustomed to moving around the country during their careers. Thus in many insurance

companies executives will transfer from one region to another as they move up the career ladder. Similar factors according to the Location of Offices Bureau records, insurance groups of all kinds have moved more jobs from the capital than any other single sector in the last 10 years.

Among the major moves are the dispersal of 1,200 Sun Alliance jobs to Horsham, 450 Eagle Star jobs to Sutton, 575 Excess Insurance jobs to Wortham, 1,000 Eagle Star jobs to Cheltenham, 500 Guardian Assurance jobs to Lytham St. Annes, 500 Zurich Insurance jobs to Portsmouth, 450 Guardian Royal Exchange jobs to Ipswich and, most recently, 600 Phoenix Assurance jobs to Bristol. In the insurance broking business the major moves have involved C. E. Heath and Company (600 jobs) to Southend, Norman Frizzell and Partners

(800 jobs) to Poole and H. Chester, Folkestone, Stevenage, Clarkson and Company (550 jobs) to Canterbury. Among other insurance categories the major moves are the HP Motor Policies (300 jobs) to Newham, Lloyd's Policy Signing (240 jobs) to Havering and Bolton Group (250 jobs) to Poole. All these figures are supplied by the Location of Offices Bureau and some include moves made in two stages, while a number of companies—for example Hambro Life Assurance—which made major moves without LOB assistance are not included.

At the same time there are a sizeable number of much smaller moves—for example, of 20 to 50 jobs—and the locations involved include Tunbridge Wells, Bushey, Aylesbury, Colchester, Folkestone, Stevenage, Ipswich, Darlington, Norwich and Chichester. The majority of moves are partial and only involve the more routine or clerical side of the operation but there are a handful of complete moves among the smaller organisations.

A significant feature of this list of moves is how the insurance sector has steadily spread outward from London. The early moves—for example, Sun Alliance's to Horsham in 1964—were mainly within a close radius of the capital but the average distance has gradually increased. This is partly because the relative advantages in terms of staff costs, rent and housing began to diminish nearer London but also because

the potential pool of labour began to fall in these areas so companies were forced to look rather further. Thus Cheltenham and Swindon attracted the attention of a number of companies—not solely in the insurance sector—in the late 1960's and more recently a lot of attention has switched to Bristol, notably with the moves of Phoenix Assurance and the insurance side of the National Westminster Bank.

Suitable areas

This is also partly related to the expansion of the motorway system and the improvement in the inter-city rail network. Other cities to benefit in the last few years are Ipswich and Norwich. As these areas gradually start to be filled up the inevitable question is where next, and the

obvious locations here are the South-West and parts of the Midlands. It will also be interesting to see whether the Government's announced incentives to service industries to move to the assisted areas have any effect here.

Decentralisation not only offers a number of obvious benefits in terms of lower rents and labour costs but also presents certain problems. The main difficulty is communications as greater dependence on mail, telephone and telex links can cause delays. Indeed a number of insurance brokers, for example, have made a clear decision to remain in London because of communications reasons and because many of their main clients fly into London.

The importance of the type of personal contact naturally varies and is less relevant to the more routine operations.

The other main difficulty is that over-expansion of an area, especially a small town, can produce staff shortages, especially among young male workers, though not among female clerical labour which is normally relatively abundant.

In any event what evidence there is, in terms of numbers of executives who move back to London, etc., shows that dispersal operations in the insurance business have been reasonably successful and the economic pressures become more acute in inner London the process seems certain to continue.

Educating future managers

By MICHAEL DIXON, Education Correspondent

The insurance world is still split on the question of whether it should place greater reliance for its professional education on universities, polytechnics and colleges, and less on its conventional practice of "growing its own timber" with much expert help from the Chartered Institute of Actuaries.

There can be no longer any doubt that one part of the move towards alliance with formal higher education—that of getting insurance accepted as a fitting subject for academic study—has now gained a good foothold.

One sees evidence of surprising developments, also, in the other part of the move—that of increasing the recruitment of graduates whose degree studies have overwhelmingly not touched on the subject of insurance at all. While the profession is still far from being a major recruiter of degree-holders, the evidence is that insurance's intake of new graduates has been outstripped that of the clearing banks. Figures reaching me by such in this country's academic institutions.

As for the recruitment of graduates, I'm sure that it must also have beneficial effects. Now

of 60,561 together recruited 293 graduates, whereas certain clearing banks with total staff of 129,713 recruited only 195.

Highly encouraging

All this is highly encouraging for the advocates of a much stronger alliance—so encouraging, in fact, that on learning of the developments which have come about, one representative of the "pro-university" school of thought could hardly refrain from rubbing his hands together. Why was he so pleased?

"Well, I'm delighted to see British universities and colleges paying attention to insurance. It was certainly time they did so: universities in the United States and in Europe have been offering degree studies in insurance for a longish time in the past. I really do think that it is a topic worthy of serious and full-time study, and that the insurance industry can only benefit by having it treated as such in this country's academic institutions."

don't mistake me, I would be the first to applaud what the Chartered Insurance Institute has done, and to agree that the "grow our own" policy of the past has resulted in a profession consisting of the whole of very good people. But an effect of this, which I consider unfortunate, is that at the top the profession consists with very little exception—on the non-life side at least—of people who have all been brought up the same way. You know, they came from the grammar type of schooling at about 16 years old and, under the old Buggins's Turn system, moved up through the ranks ending up in one of the top triangle positions at about the age of 50.

"As I said, we have gained a lot from this process. But it has also lost us something. Being so overwhelmingly made up of the same sort of people, we lack the broad approach to things. And I think that recruiting more and more people who have received the broad education that you get at a university, will bring into the profession the wider approach that it needs."

He rested his case and waited for questions. His argument was enthusiastic, I said, but surely it was not as cut and dried as all that. Could he show, for example, that the university courses in insurance in the U.S. and Europe had resulted in those countries' insurance industries being more effective than the British industry?

"Ah well," he replied, "there are complications to that one. Certainly I'd say that as far as technical insurance matters go, we in Britain are the best. And I think that most foreign insurance people would admit it. But they feel that they're better than us at running their companies in the general management sense. It is in this aspect—such as man management, for instance—that the British industry generally lags behind, and therefore needs new blood."

After all, companies in other industries which have greater experience of employing graduates, seem in many instances to have decided that degree holders are no more likely to become good managers than non-graduates are.

The pro-university man could not produce a convincing answer to this one, and so I feel that the conclusion must be that he is basing his case for a greater intake of people from the universities, largely on faith.

Although his case is not proved, however, it certainly is not disproved. And there certainly seems to be no other reason why insurance companies should not gradually step up their graduate recruitment, especially since a steadily higher proportion of the most successful school pupils will in future be going into further and higher education. Instead of directly into employment.

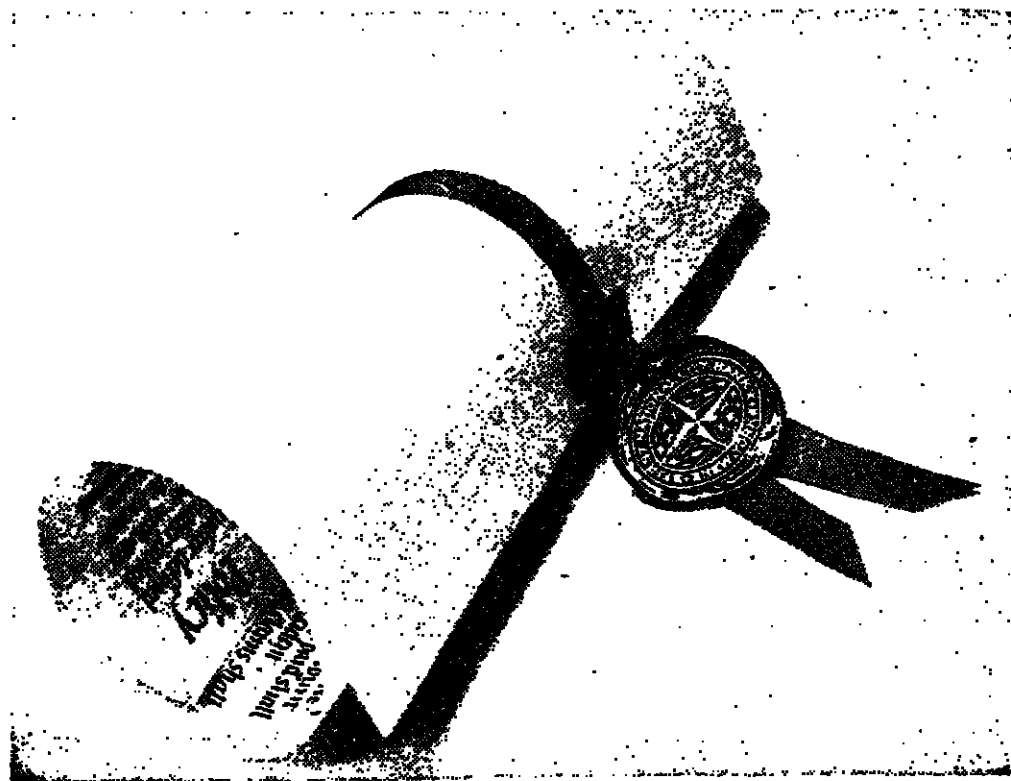
Where recruitment is concerned flexibility is surely the best emphasis in the in-service training—was going to produce the necessary improvements in graduates can only be damaged by a general-type management?

My turn again. But could he show, I asked, that increased recruitment of graduates—as distinct from a different emphasis in the in-service training—was going to produce the necessary improvements in graduates can only be damaged by a general-type management?

Next question

My turn again. But could he show, I asked, that increased recruitment of graduates—as distinct from a different emphasis in the in-service training—was going to produce the necessary improvements in graduates can only be damaged by a general-type management?

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A lack of harmony over participation

BY JOHN ELLIOTT, LABOUR EDITOR

OR SEVERAL MONTHS a small group of senior Government Ministers has been meeting regularly to try to thrash out a broad policy document on what at first glance might not seem too complicated a subject—worker participation. So far they have failed to finalise their work partly because of other pressing problems but mainly because of a basic lack of understanding and agreement on what should be done in this field.

They are not alone if they feel rather lost, as they appear to be, towards the end of a year which has seen worker participation become a fashionable subject for debate. The past 12 months the TUC has come down in favour of unions effectively controlling any new participation moves—including worker directors. The CBI has so far tackled the problem of the responsibilities of companies but has failed to agree what to do about worker participation.

In Brussels the Common Market Commission is still debating its new proposals for company laws and the role to be played by workers' councils. Also in Brussels, the European Trades Union confederation appears to be vying behind the British TUC's union-based line while in Germany the traditional "co-determination" approach to labour affairs is changing.

Motives

In the U.K., as in Europe, the motives of those advocating new means of participation vary widely. The Government is partly reacting to the need to draw up a policy for debate in Brussels, while at the same time responding to changes in society and in people's ambitions which indicate the need for more involvement at work.

Behind this is a hope that participation in almost any of its various forms should do no harm and might even do some good for industrial relations in general. At the same time there is a view among Ministers that any moves which make capitalism look and operate more respectably can only be helpful. It is this last priority, embracing as it does the whole question of the role of the company, that extends the subject beyond industrial or employee relations. For worker directors can be a way of involving workers in company affairs to increase worker participation or a way of bringing outside pressures into the boardroom.

Originally the Department of Employment had hoped that a Green Paper (or a "consultative document" which is in effect the same thing but can be given away free while Green Papers have to be sold) setting out the Government's proposals, would be produced at the end of the summer. Accordingly, a draft was prepared in the Department of Employment and taken by Mr. Maurice Macmillan, Secretary for Employment, to a meeting with a handful of other Ministers, including Mr. Robert Carr, the Home Secretary, and Sir Geoffrey Howe, Minister for Trade and Consumer Affairs—the two Ministers responsible for creating the Industrial Relations Act. It is now clear that Mr. Macmillan's ideas came as something of a shock to most of the rest of Whitehall which had to come to grips with the problem for the first time. His ideas, considered too vague, were hardened up into what would almost have been a White Paper. Then it was decided to be less precise—and now yet another draft is being prepared and the publication date is being put as early in the New Year.

Although the Government still has no basic policy, some common aims have emerged among Ministers. They all believe that participation primarily means improved communication and consultation between all levels of the workforce and management and that this should be built from the bottom upwards rather than the top downwards. Put more crudely, this means that they like the idea of works councils more than worker directors, but would not oppose experiments in either. They are also ready to go ahead almost immediately with consultations on the disclosure of company information to employees and union negotiators.

Differences

But on the application of the main participation ideas there are considerable differences which basically hinge on the role of established trade unions in any new arrangements. This illustrates the basic differences between U.K. practice and European tradition as epitomised in Germany where trade unions play a national wage bargaining role but have no formal function in the factory-based worker-director and works council systems. This works because, until fairly recently at least, trade unions in Germany have had no effective shop floor base—unlike the U.K. where a strong shop steward system is the basis of union organisation.

The Government's problem, given that it considers that works councils should exist to increase consultation and communication, is how to make such councils fit in with the U.K.'s shop steward-based labour system while at the same time effectively covering the

whole work force. The Government Ministers involved are determined not to provide the TUC with a free recruiting drive among the country's 15m. workers who are not members of the TUC.



Mr. Jack Jones (left), general secretary of the Transport and General Workers' Union, has strongly influenced TUC thinking against works councils which are favoured by Mr. Maurice Macmillan (right), Secretary for Employment, and other Ministers.

of TUC unions by making their proposals purely union-based. But, on the other hand, Mr. Macmillan at least is aware that there is little point in tabling any proposals which are so non-union oriented as to alienate the TUC.

For its part, the TUC is so far adamant, according to its own "Green Paper" on industrial democracy published this summer, that any schemes for worker directors must provide for shop floor-elected directors

making up 50 per cent. of the Board and remaining part of the union machine.

The TUC is also against works councils, with union leaders like Mr. Jack Jones of the Transport

The Government could easily face, therefore, a fresh clash with the TUC not dissimilar although maybe not so bitter as the fight over the Industrial Relations Act. A similar worry has led the CBI to rethink its proposals for plant consultative councils because many employers accept that there is little point in proposing another reform aimed at improving industrial relations in the face of TUC opposition.

In this situation, Mr. Macmillan and his colleagues are looking for a form of words for their proposals to ensure that existing union arrangements play a major role in works councils while at the same time non-union arrangements where unions are not recognised are provided for.

Conglomerate

There is also recognition among some Ministers that full time union officials can play a significant part in improving relationships within a factory and that they should, therefore, not be excluded. The Government is likely to propose that the now fairly vague and generally acceptable consultation and communications provisions of the Industrial Relations Act's Code of Practice become mandatory.

Ideas such as works councils and worker directors—on which the Government could not hope to agree with both the CBI and TUC—could then be put into the Code as voluntary recommendations to non-unions.

There will, however, be little real emphasis on worker directors either on the main Board or on a supervisory Board where the German style two-tier system operates. Indeed, some Ministers feel that well organised works councils operating at a high level in a

company could perform all the consultative functions of the Board with worker directors. This raises the question of how the councils would work in a group of companies. The significance of these consultative arrangements would obviously increase enormously if, for example, worker representatives of the various holdings of a conglomerate came together at top level. The Government, however, seems to envisage nothing higher than a council covering one operational unit.

But while shying away from worker directors, Mr. Macmillan does want to find a way to give Boards of directors a compulsory responsibility for their employees as well as for their shareholders. This is specially relevant in redundancy and factory closure situations, such as lie behind most recent pressure for greater worker participation. At the same time, the Government is initiating moves on capital sharing, with workers taking shares in their companies. There is also a working party looking at broader aspects of job satisfaction.

But the timing for the main participation moves remains vague—and could be further disrupted if Mr. Macmillan were to leave the Department of Employment soon. As far as can be judged, however, consultative proposals, carefully framed so as not to upset vested interests and not move too fast, could have a dramatic and lasting impact on the fairly early next year. A long U.K.'s labour problems. The lessons of the Industrial Relations Act, however, demonstrate how crucial it is that the Government which takes these steps does so in harmony with the country's union leaders.

Mr. Macmillan and his colleagues, as well as others now considering these subjects in detail, are aware that they hope that such moves will lead to the U.K.'s adopting the German co-determination system and outlook, ushering in a new era of peaceful industrial responsibility and co-operation, are doomed to disappointment. The inevitable expansion of worker participation during the next few years is, nonetheless, bound to have an impact on the mood and conduct of industrial relations. What will emerge will inevitably be tailored by the Government, employers and unions to fit the U.K.'s own traditions and practices.

Government policy questioned

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Labour News

Dock stewards call for one-day strike

BY ROY ROGERS, LABOUR CORRESPONDENT

CALL for a one-day national and Millwall docks have agreed to follow the line of their official union negotiators who to-day will lodge a claim for payment from the committee in support of demands for 20 per cent. pay increases. These are way in excess of Stage Three limits. Recent events make it appear probable that the strike call will receive much support outside of the Port of London. This is because Hull dockers, among the most militant in the country, have already settled within Stage Three and called off their own campaign of weekly one-day strikes.

Apart from a sparsely attended meeting of men from London's Royal group of docks who backed the 20 per cent. increase last week, other groups of London dockers, including the London Dockers' Association, have from Tilbury, West India, and

Millwall docks have agreed to follow the line of their official union negotiators who to-day will lodge a claim for payment from the committee in support of demands for 20 per cent. pay increases. These are way in excess of Stage Three limits. Recent events make it appear probable that the strike call will receive much support outside of the Port of London. This is because Hull dockers, among the most militant in the country, have already settled within Stage Three and called off their own campaign of weekly one-day strikes.

The unofficial strike call represents an attempt by the national ports' shop stewards' committee to regain some of the influence it has lost over the last year since its abortive attempt to challenge Stage Two of the Government's wage policy. Since the London docks' leading shop stewards have resigned.

Meanwhile pay talks covering all local Government manual workers, including ambulance men, resume this week, and a national delegate conference of ambulance men is scheduled for later in the week. The national executive of the NUPE, which has been asked to support a claim for £400 increase in the London weighting allowance, ranges from bans on extra duties to one-day strikes. NALGO members involved are being asked to support the planned action which is expected to begin early next month.

Own hall staffs press case

BY ROY ROGERS, LABOUR CORRESPONDENT

REPRESENTATIVES OF some 600 local government white-collar workers will put forward a case this week for consideration under the Pay Board's inquiry into pay relativities, on which it has to report to the Government by the end of the year.

Their argument was based on the claim that PO workers have fallen behind civil servants—who recently won special treatment after the Pay Board declared their position an anomaly—and other workers. The result is that the PO is now short of manpower, especially postmen, that Christmas mail may be delayed. Other groups who have already been into the Pay Board on the question of pay relativities include local government manual workers, hospital ancillary workers, nurses and shop workers.

National Savings 'not a swindle'

BY DONALD MACLEAN

THE CHARGE that National Savings was a "swindle" was rejected by Mr. John Nott, Minister of State, Treasury, in an address to the National Savings Committee for Scotland on Saturday.

It was not National Savings, he said, which was a swindle, he said. The British people, as well as he, evidently rejected the charge against NS. It was because of inflation that the country would "support" the Government's determination to see through Stage Three of the prices and incomes policy.

The savings figures, Mr. Nott said, were "very impressive". In the second half of the 1960s the net increase in National Savings was about £180m., in the 1970s so far the net increase was about £2,000m.

Preliminary figures released by the NS Committee over the week-end, however, show a further reduction in investment in October, when there were net withdrawals of £23.3m. before the inclusion of £28.5m. of undistributed interest. In the same month last year, there was a surplus of £36.5m. without adding interest of £22.6m.

The October returns mean that in the first seven months of the financial year, the amount invested in the NS movement has risen by £197.4m. to £10,527.5m. (excluding savings stamps and gift tokens).

Credit squeeze

This compares with an increase of £494.6m. in the similar period last year. But if undistributed interest is left aside, the restriction in the net inflow of savings this year appears much more heavily marked, only £24.1m. having been realised, against £350m.

The competitive position of the NS movement, which was

severely hit by the sharp rise in money market rates of interest in July, has been further weakened in recent weeks by the November squeeze on credit, and increase in the Bank of England minimum lending rate from 10 per cent. to 13 per cent. (compared with 7½ per cent. in the earlier part of July).

Sir Robert Bellinger, president and chairman of the NS Committee, draws attention in his monthly commentary to the fact that the principal issue of savings certificates has been on the market for three years, and in its fourth year will carry interest at a rate of 8.85 per cent. net of tax, or 12.42 per cent. grossed for the 30 per cent. income-tax payer.

In addition, British savings bonds offer a 9.24 per cent. grossed-up over the full life of five years, while the National Savings Bank is to pay 9 per cent. (instead of 8 per cent.) on investment accounts from January 1, and trustee banks may already apply to the authorities to pay this rate.

At the same time, the banks have been asked officially to pay not more than 9½ per cent. on deposits under £10,000. But building societies are offering 10.71 per cent. grossed-up to the standard rate taxpayer, and local authorities are around 12 per cent. for one or two years to small depositors against mortgages, against 9.81 per cent. in early July, and amounts of £1,000 may be invested in local authority bonds at even higher yields.

The relatively low yield on earlier issues of savings certificates is recognised by Sir Robert, who says it would be to the advantage of all those holding the first six and conversion issues of the security to reinvest in the current decimal issue or any other form of National Savings.

Table Page 35

Students plan major rent strike campaign

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

MARGATE, Nov. 25. RENT STRIKES at more than 40 universities and colleges were being brewed at the National Union of Students' Conference here to-night as part of a country-wide campaign for higher student grants.

The campaign, which will probably also include direct action such as the disruption of canteen services at many other educational institutions, is expected to begin soon after Christmas.

Admitting that rent strikes represented political action, Mr. John Randall, president of the £10,000-member union, said he hoped they would be staged in at least 43 institutions—the number participating at the peak of a similar campaign last year. While some establishments might respond by taking legal action, he said he did not expect a welter of applications to the courts. The union, at present, had about £18,000 in its legal aid fund.

Mr. Randall was talking to reporters just before the conference—which to-day fell nine hours behind schedule after less cost £30m.

Crown Commissioners buy fewer freeholds

FINANCIAL TIMES REPORTER

THE CROWN Estate Commissioners are having increasing difficulty in finding opportunities for investment in further freehold acquisitions, according to their report for the year ended March 31, released to-day. The report says the problem is the result of the present state of the land market, and because

of it more of their capital investment is in the construction of buildings, both commercial and residential, on their own land.

As managers of one of the largest and most varied landed estates in the U.K., the commissioners say they are very conscious of their responsibilities for preserving and enhancing

the amenities of the land under their charge. Until fairly recently the emphasis had largely been on visual amenity, but in recent years the commissioners have become more concerned with the problem of noise, which they regard as one of the greatest nuisances of modern life.

The commissioners report that the surplus revenue paid over to the Exchequer for the year reached the highest figure yet, at £4.7m.

Copies of the report are on sale at branches of the Stationery Office from to-day.

Government policy questioned

Page 39

FINANCIAL CONTROLLER

Budgetary control is now recognised as one of the most important aids to successful management. In the past, large, minimum-credit payments at irregular intervals for bulk supplies of steel played havoc with my cash flow projections—and left us with the costly problem of financing excessive stocks. We have eliminated both problems by purchasing steel from a stockholder. This way, we control incoming deliveries, and therefore subsequent payment, to coincide with production. Pay-as-we-use steel! Certainly Stockholder Steel is budget steel.

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Redundant stocks are a constant headache in our business—particularly when design changes call for new sizes; so too, is stock deterioration. But by using a stockholder as our supplier, we now work to closely-controlled deliveries of steel, cut to the exact sizes for our current needs. Additionally, we have minimised scrap losses and released valuable space for production. The stockholder's close contact with steel producers also means that he can advise me on the best steel for the job—and supply it! Stockholder Steel is productive steel.

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Chasing bits and pieces can be the bane of a buyer's life; ensuring that delivery promises are kept is one of our biggest headaches. Now, by making full use of the services provided by a stockholder we have a single source of supply for all our steel requirements—large and small. Their customer-orientated outlook and reliable service has relieved my department of a whole area of progressing and stock-control work. They can sometimes even anticipate our demands and their ability to cope with emergency requirements can't be beaten. Stockholder Steel is the right steel, in the right place, at the right time. Stockholder Steel is reliable steel.

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The success of any business is directly related to the most effective use it can make of its resources. Non-productive work erodes capital, wastes manpower, space and plant. Stockholder Steel releases capital and resources for increased productivity. My Financial, Production and Purchasing colleagues all agree—Stockholder Steel makes sense.

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INTERIM STATEMENT



Manufacturers of fine worsted cloth

INTERIM REPORT

Points from the interim report of the Chairman and Managing Director, Mr. Roderick H. Hield, OBE, for the six months ended 30th September, 1973.

- Turnover 48% higher than in first half 1972/73.
- Profit before tax more than doubled.
- World-wide demand for HIELD cloth continues—order book position is extremely healthy, ensuring full production well into group's next financial year.
- Profits for current year expected to be at record level.

	SUMMARY OF RESULTS	
	Half-year ended 30/9/1973	Full-year ended 25/3/73
Turnover	£1,114	£2,104
Profit on trading	386	197
Depreciation	76	77
Interest	20	1
Surplus on sales of property	Nil	15
Profit before tax	290	134
Taxation	145	53



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Making a business of the Crown Agents

BY SANDY McLACHLAN



Mr. A. H. Challis, the Agents' former finance director who last month became joint deputy chairman of the First National Finance Corporation, of which he was already a director, in a move which created some controversy; and right, Mr. C. J. Hayes, chairman of the Crown Agents.



IN 1972 the Crown Agents sold (legally, needless to say) some three tons of narcotics on behalf of African and Asian governments whose customs officials had confiscated the drugs from smugglers. In the same year they were able to advise the Government of Cyprus on the restoration of a 1904 railway locomotive which is now on public display.

These are just two examples of the more colourful tasks undertaken by the highly diversified yet little known body officially entitled the Crown Agents for Overseas Governments and Administrations. But in the mainstream of their job they represent a powerful financial force. In various ways they control and administer sums of money in excess of £1,000m. acting on behalf of 66 independent sovereign states, 24 dependencies, and 200 public bodies in overseas countries. The way that they exercise this muscle has, over the last couple of years, given rise to criticism, and recently in the Commons Mr. Richard Wood, the Minister for Overseas Development, has faced a barrage of questions about their operations.

The Parliamentary activity is perhaps out of proportion with the issues at stake. Nevertheless, the Government is making certain concessions to the criticism in line with some of the recommendations of an unpublished report by a committee headed by Sir Matthew Stevenson. The changes envisaged will bring the operation of the Agents closer to that of more conventional businesses in the fields of taxation and presentation of accounts.

Concern

Three areas in particular seem to be giving cause for concern. In the first place there is no formal mechanism of accountability to the U.K. Government, although the Minister appoints Crown Agents, and employment by the Agents is run very much along Civil Service lines. In this context, it is important that the Agents have never figured as a Government Department and are entirely self-supporting financially. In formal terms, their only accountability is to their "principals"—the governments and public bodies whose money and problems they handle. The second problem area is that of the Agents' tax liability. The office is not a profit-making one as such and escapes U.K. tax liability except where it deals through incorporated subsidiaries.

diaries, of which it currently has four. This links with the third point, the question of participation investment as opposed to portfolio investment, where the actions of the office have aroused concern. Over the last few years the Crown Agents have been taking substantial, and sometimes controlling, stakes in commercial concerns either because they feel that these concerns would be useful in handling the problems of their principals, or simply because they feel that there is a good profit to be made on behalf of the principals.

This, allied to the fact that the very size of the funds under their control makes them a force in both the money market and the stock market, has prompted suggestions that their position should to some extent be regularised. After all, it is argued, an undefined aura of officialdom extends even down to their name, but they are conducting their business independently on purely commercial lines; they have both this and certain tax concessions without any apparent accountability to Parliament; and they are becoming increasingly entrepreneurial in their approach, which might seem inconsistent with the privileges which they enjoy. Matters have been brought to a head by two factors. One is the unusual way in which the annual report of the Crown Agents is drawn up, which is quite different from normal accounting practice and which

makes it difficult for commercial observers to identify exactly what is happening. For example, the report contains no breakdown of associate companies and major investments. The second point is the Agents' involvement in the property world where equity investment has tended to be backed up by substantial fixed interest finance. So far, this exercise has proved highly successful from the Agents' point of view but there is some—apparently illogical—concern about the fact that in making money for themselves the Agents have contributed to the making of personal fortunes on the part of the people they have backed.

Unfounded

The view has also been expressed that the use of public money—even though it is not U.K. public money—for such projects may be not entirely satisfactory and that the principals may not know just what their money is being used for. Both the Minister and the Agents themselves have categorically denied allegations that their funds have ever supported anti-social activities such as the finance of slum residential property, and indeed these allegations appear unfounded. But as long as the investment portfolio remains unpublished the Agents are bound to be open to this sort of criticism and even the use of Crown Agents' funds for

speculative property development purposes has been called into question. It is ironic that there is no real secret about the investments made by the Crown Agents: they just do not publish a full list. All their shareholdings can be easily identified on company share registers even down to ascertaining whether the shares are held directly on their own behalf or on behalf of their principals.

The Agents' direct investment business is handled through a wholly-owned subsidiary, Four Millbank Investments. At the end of 1972 this company had consolidated gross assets of £42m, and had something like 15 relatively major investments on its books. Most of these were in banking and commercial operations, where the profit motive is combined with a desire to build up services to the principals. Thus the Crown Agents, in partnership with Continental Illinois Bank of Chicago and local interests, have a stake in nascent merchant banking operations in Singapore and Malaysia, and in the Caribbean. They have a 25 per cent stake in Wallace Brothers Holdings whose operating companies include Wallace Brothers Sassoon Bank and Wallace Brothers Trading and Industry, a Far Eastern merchant banking operation. They also have a major stake in Westralian International—the Australian merchant bank which came into the news when

it lost money on the collapse of Mineral Securities, but which is now proving its worth as a fund raiser for the three companies of the Australian Abbey Capital property group of companies in which Crown Agents have a stake ranging between 15 per cent and 30 per cent. Other investments linked directly to Crown Agents' activities are the 25 per cent stake in Stanley Gibbons and a 47 per cent stake in a freight company called Trade Winds. The Agents work closely with Stanley Gibbons on philatelic sales of stamps on behalf of principals, and Trade Winds carries a proportion of the merchandise which the Agents buy on behalf of their principals to the tune of more than £100m. a year.

Profitable

The more controversial investments are those which are not directly related to the Crown Agents' business. These would include the 8 per cent stake in First National Finance Corporation, the 27 per cent stake in Sterling Industrial Securities, and the 51 per cent stake in English and Continental Properties which was sold to the Post Office Pension Fund at an estimated profit to the Crown Agents of between £15m. and £20m. On the two banking stakes, the Agents say they are impressed with the management and they anyway have straight banking transactions with each. The FNFC investment has proved profitable and the SIS stake is expected to do the same since the bank is likely to go public before the end of the decade. The E and C deal was simply a highly profitable investment in property, the proceeds of which (after tax since Four Millbank Investments pays tax like any other limited company) will be used to strengthen the reserves which the Agents decided to build up a few years ago as a matter of policy.

It is primarily to satisfy criticisms of the tax situation that the forthcoming moves are aimed. Both the Government and the Agents have decided that much more of their activities should be organised through wholly owned incorporated subsidiaries along the lines already employed for direct investments, technical services and nominee holdings. The whole of the Agents' banking, investment dealing, and investment management operations are likely to be transferred to such subsidiaries. This will bring these activities into the taxable area and will also

have the advantage of getting the accounts for these divisions produced along normal commercial lines and audited by familiar auditing names.

Deficit

For the Agents themselves the change should make little difference since most of the areas where they do make profits are already covered, and in 1972 there was an operating deficit of the tax privileged area of £329,000. And, to the extent that it allows public information in an easily assimilable form without interfering in the private relationship between Agents and their principals, should help to take the heat of the non-accountability debate as well.

This is perhaps the trickiest area. The House of Commons has had to be content so far with the assertion by the Minister that, in the final (unpublished) event, the Agents are responsible to him. The actual mechanism of responsibility even its degree is left up in the air, in spite of the Stevenson Committee's call for clarification of this. Inevitably, there are good reasons for this. The Agents are, after all, dealing on behalf of sovereign governments overseas, and it would be unrealistic to demand that a U.K. Government should have access to information which private contracts that it cannot get from a normal commercial enterprise. That also could upset the finely balanced relationship between the Agents and their principals.

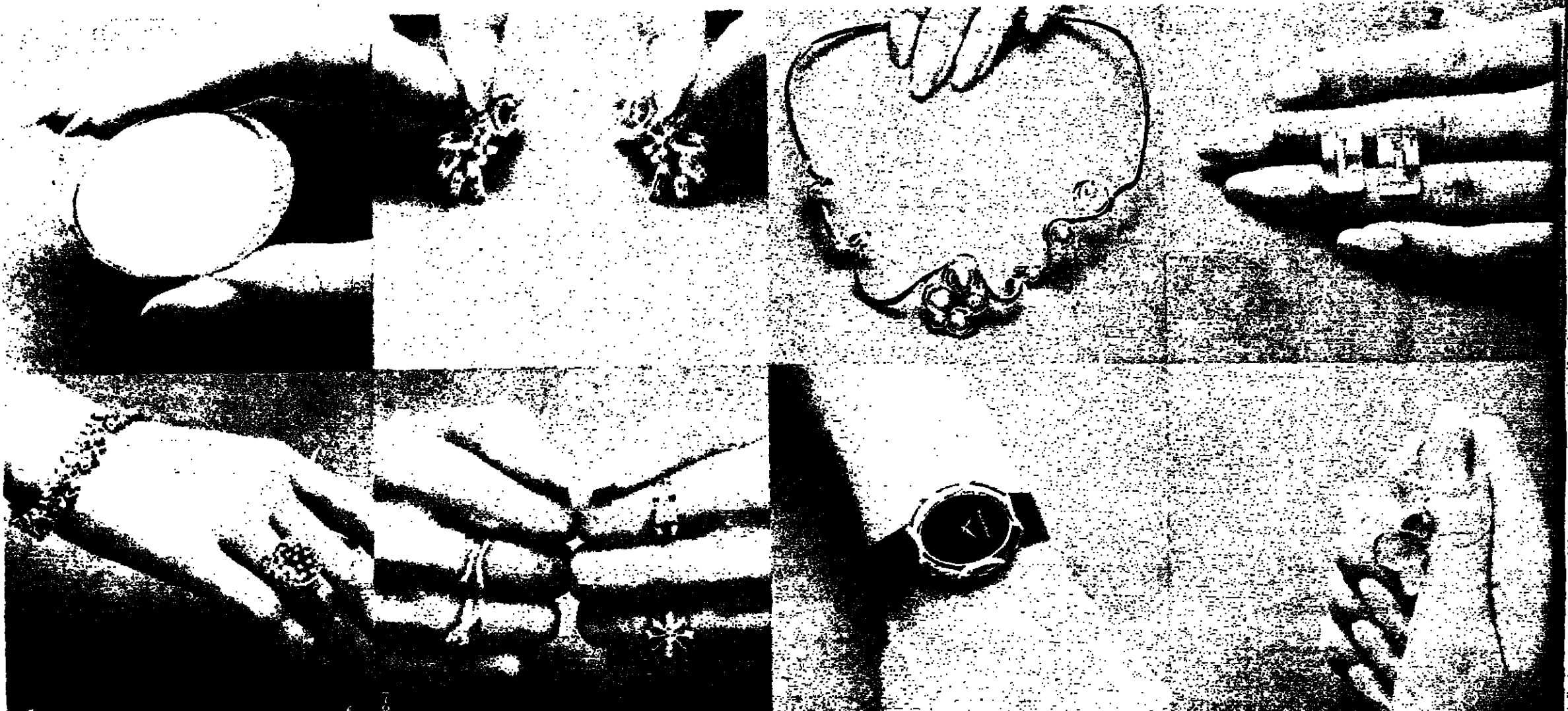
All in all, it is hard to see the conclusion that controversy over the Crown Agents is a storm in a tea-cup. It is seen that the tax situation should be rationalised, but this is a likely to make much difference to either the Agents or to inland Revenue. Once the Agents are out of any potential privileged tax position, seems little to criticise concerning an investment policy which sets aside a small proportion of total funds for venture capital as opposed to portfolio investment, and which simply mirrors the trend among many of the bigger pension funds and insurance companies.

The apparent anomaly of group with official status without defined official accountability remains. However, the Agents' principals appear happy with their commercial result and it seems highly unlikely that a group with such a strong Civil Service influence would come even near to treading a dangerous political ground.

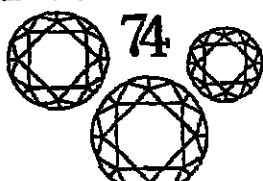
If you're giving diamonds this Christmas, you're going to need a hand.

Choosing a very special present for that very special girl can be quite a problem. Is it what she wants? Is it her style? Will she like it? So, to help you this Christmas, there's a new range of diamond jewellery called "Collection 74." Prices start at as little as £50. All the pieces in the collection have been designed to bring a little sparkle into a girl's life. And every choice you make is the right one. That's the beauty of it. Specialist jewellers' around the country are ready to lend you a helping hand.

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2. Gold ribbon earrings set with diamonds.
3. Yellow and white gold necklace set with diamonds and tiger's eye (also available with diamonds and lapis lazuli).
4. White gold geometric cuff-links set with diamonds.
5. Diamond and gold bracelet.
6. Gold honeycomb ring set with eighteen diamonds.
7. Twelve-diamond bar ring set in gold.
8. Gold and diamond cross-over ring set with eleven full-cut brilliants and fourteen baguettes (also available in white gold).
9. Gold ring with nine diamonds set as a square.
10. Gold star ring set with six diamonds.
11. Black onyx and white gold watch set with diamonds.
12. Frosted gold brooch set with diamonds.



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Diamond Route, 28 Queen St, Maidenhead.
Lancaster Jewellers, 36 Market St, Reading.

BUCKINGHAMSHIRE
K. T. Ruff, 8 Old Crown, Windsor St, Slough.

CHESHIRE
Boddie & Dunthorne Ltd, 52 Eastgate St, Chester CH1 1ES.
Stanford, The Jewellers, 46 Market St, Macclesfield.
David M. Robinson, 15 Bridge St Row, Chester CH1 1NW.

CORNWALL
W. B. Mitchell & Sons, 10 Market Place, Penzance.

DEVONSHIRE
V. R. Mitchell & Sons Ltd, 4 Bedford St, Exeter.
Richard S. Wright, 29/31 Exeter St, Drake Circus, Plymouth PL1 1BM.

ESSEX
Langtons Jewellers, Victoria Circus, Southend-on-Sea.

GLoucestershire
Leonard Jones Ltd, West Market Place, Cirencester.
Marion & Co Ltd, 19 The Promenade, Cheltenham.
A. Stradling (Cirencester) Ltd, 11-15 Market Place, Cirencester.

Hampshire
Charles Fox Jewellers Ltd, 21-22 The Arcade, Bournemouth.
S. P. Kerney, 50 High St, Gosport.

KENT
E. W. Payne (Bromley) Ltd, 159 High St, Bromley.
E. W. Payne (Buckingham) Ltd, 146 High St, Buckingham.
L. Reich & Sons Ltd, 48-50 Monson Rd, Royal Tunbridge Wells.

LANCASHIRE
Boddie & Dunthorne Ltd, 35 Lord St, Liverpool.
T. Brown, The Jewellers, 12 London Rd, Liverpool L3 5NF.
Hartcock & Son Ltd, 29 King St, Manchester 2.
Jewell the Jewellers, 121-3 South Rd, Warrington, Liverpool L22 0LT.
Olivant & Bedford, 12 & 14 St Ann St, Manchester.
Prestons Ltd, 2 Deansgate, Bolton.
Russells Ltd, Church Alley, Church St, Liverpool 1.
William Pyke & Sons, 30 Exchange St East, Liverpool 2.
David M. Robinson, 24 North John St, Liverpool L2 9RP.
Whittles Jewellers, 111 Fishergate, Preston PR1 3AJ.

LONDON
Argenta Design Ltd, 94 Futham Rd, S.W.3.
Argenta Design Ltd, Heath St, Hemstead, N.W.3.
Booby Jewellery, 14-18 Holborn, E.C.1.
Booby Jewellery, 9 & 9a New Bond St, W.1.
John Donald, 120 Chesapeake, E.C.2.
Georges & Co, 88-90 Hagen Garden, Entrance Greville St, E.C.1.

Kelka, 3 Cheval Place, S.W.7.
Links, 28 Baker St, W.1.
Mappin & Webb Ltd, 170 Regent St, W.1.
Moor Jewellers Ltd, 89 Wigmore St, W.1.
J. W. Patten, 52 Golders Green Rd, N.W.11.
River, 17-18 Old Bond St, W.1.
S. J. Road & Co Ltd, 52 Burlington Arcade, W1 8AE.
F. Snellgrove Ltd, 37 Woodgrange Rd, E7 8BA.

Middlesex
Chalfonts the Jewellers, 32 Market Square, Uxbridge.
Staten, 7 Edgwarebury Lane, Edgware.

NORFOLK
Cox and Son (Goldsmiths) Ltd, 3-4 Northgate St, Great Yarmouth.
Croydon & Sons Ltd, 7 Castle St, Norwich NOR 37E.
Croydon & Sons Ltd, 61 High St, King's Lynn.
Francis Wain Jewellers, High St, Dereham.
Francis Wain Jewellers, Norfolk St, King's Lynn.

NORTHAMPTONSHIRE
Michael Jones Jewellers, 1 Gold St, Northampton.
Nelson's Jewellers, The Little Shop, 2a Woodhill, Northampton.
A. A. Thornton, 5 & 7 High St, Kettering.

NORTHUMBRIA
Davies the Jewellers Ltd, 64 Gray St, Newcastle-upon-Tyne.

NOTTINGHAM
E. S. Poyser & Sons Ltd, 32 Market Street, Nottingham.

STAFFORDSHIRE
T. A. Henn & Son Ltd, 38-41 Princess St, Wolverhampton.
Salloways Ltd, Bore St, Lichfield.

SUFFOLK
Croydon & Sons, 34 Cornhill, Bury St Edmunds.
Croydon & Sons Ltd, 50-56 Tavem St, Ipswich.

SURREY
John Donald, 10 The Square, Richmond.
Anthony Lodge Jewellers, 3 George St, Richmond.
Lyons Jewellers, 31 Surrey St, Croydon.
Orlando, 1 Sydenham Rd, Guildford.

WARWICKSHIRE
Mappin & Webb Ltd, 78 Bull St, Birmingham 4.
Geoffrey Richard (Grosvenor) Ltd, The Parade, Loughborough Spa.
C. T. Gilmer Ltd, 44-46 Henley St, Stratford-on-Avon.

YORKSHIRE
L. R. M. Arnsperg, 32 Juggate, Bradford.
Carmichael, George St, Hull.
F. Dill Ltd, 21 Market Place, Dewsbury.
Goldsmiths Gallery, Cleveland Square, Cleveland Centre, Middlesbrough.
Greenwood Jewellers, 22 Briggate, Leeds 1.

NORTHERN IRELAND
Elders (Jewellers) Ltd, 13 Commercial, 22 Donegal Place, Belfast.

IRE
Elders Ltd, 9 Johnson Court, Grifon St, Dublin.

SCOTLAND
Lings Ltd, 28a Renfield St, Glasgow G2 1LY.

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JPK 101/550

T GROCERY PRICES INDEX

Slower rate of increase —only 1.7% up this month

BY ELINOR GOODMAN

THE RATE of increase in the Financial Times Grocery Prices Index slowed down in November, showing a rise of 1.7 per cent on October.

This compares with last month's increase of 3.3 per cent, almost exactly in line with the up in the Government's food price index for October—and years that the FT index has been by over 18 per cent in the 3 months since the beginning of the Government's price freeze last November.

The index now stands 2.34 points above its October level, 135.83. Last year, the introduction of the freeze in early November kept the equivalent increase down to 1.34 points.

Controlled
The biggest increase in November was seen in a category where wholesale prices are strictly controlled by the Price Commission, and not on fresh goods as in October. The 1p increase on bread, which came in effect last Monday, contributed to a 6 per cent rise in the bread and flour category, even though some retailers had absorbed the rise.

Higher world wheat prices were also reflected in 1p increases—or in some shops 2p—on flour, another 1p on breakfast cereals and on most leading brands of biscuits.

The preserve section also showed a relatively big increase, with another 2p on honey and marmalade, while the bill for canned foods went up a further 47p, largely as a result of higher prices for imported fruit and vegetables.

Although the meat bill rose by another £1.54 in November, it was less than half last month's rise. Bacon was up another 2p a pound, while lamb and pork were costing at least 1p more a pound in most shops. Beef and chicken prices were generally more stable.

The rise in the vegetable bill of £1.80 was also well below last month's increase. Falls in the price of carrots, onions and tomatoes have gone some way to balance more expensive oranges.

Eggs were costing about the same as last month in most shops—about 42p a dozen for standard eggs and 44p for large ones—while butter was also selling at about the same price as in October.

Instant coffee, which has gone up in price several times in the last six months, was this month selling at an average of 2p less than the 1p increase. Falls in the price of some retailers have made it difficult to sell in coffee at its recent high level.

Other appointments to the Board of Permal Gloucester include Mr. E. K. L. Pollard, Mr. D. R. Booth, Mr. G. R. Mitchell and Mr. D. M. Fenner. Mr. David Welford is to be secretary and chief accountant.

Mr. B. J. Drinkwater has been appointed managing director of Transmission Developments which will be an independent unit within the group. Mr. John Davies has been elected to the Board of British Plastics Developments as director and general manager.

Mr. J. N. Creswell, Mr. L. R. Dew, Mr. P. J. F. Green and Mr. P. T. Wright have been elected to the COMMITTEE OF LLOYDS from January 1. They will replace Mr. L. C. J. Davies, Mr. A. W. Higgins, Mr. H. H. T. Anderson and Sir Henry Mance, who retire by rotation at the end of this year.

Mr. W. Foster, formerly commercial director of Status Discount, has been appointed managing director of SYSTEM D, a subsidiary of British Building Trust.

Mr. R. A. M. Baillie has been appointed to the Boards of WALLACE BROTHERS SASSOON BANK and its subsidiaries, Wallace Brothers Finance, Wallace Brothers Nominees and Far Eastern Nominees (England).

Mr. Edgar Wilson has been appointed vice-president and manager of the London branch of the CITY NATIONAL BANK OF DETROIT.

Mr. Bernard Gould has joined the Board of CONTROL SECURITIES following the acquisition by that company of a minority interest in the Harrowby Street Group.

Minet Holdings has made the following changes in the Board of J. H. MINET RANSOME

71: Jan. 131.23.

EW INDEX

71: Jan. 100; Mar. 101.09; April 102.73; May 105.75; June 108.00; July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. 105.48; Dec. 108.26.

72: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.04; May 109.36; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 11: 114.48; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: 114.72; Dec. 9: 114.75; Dec. 16: 115.77.

73: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May 125.27; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 133.51; Nov. 135.83.

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APPOINTMENTS

Re-grouping at Permal

PERMAL is being reorganised to hold the shares of its various operating subsidiaries.

Major assets of the three manufacturing divisions in the U.K. group are to be transferred to a newly registered company called Permal Gloucester, which is expected to commence trading on April 1.

Mr. A. S. Moseley, managing director of the holding company, will become chairman of the new concern and Mr. J. E. Swainson will be its managing director.

Other appointments to the Board of Permal Gloucester include Mr. E. K. L. Pollard, Mr. D. R. Booth, Mr. G. R. Mitchell and Mr. D. M. Fenner. Mr. David Welford is to be secretary and chief accountant.

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Jessel Securities

Financial Results for 1973

Points from the Statement by the Chairman, Mr. Oliver Jessel, accompanying the Report and Accounts for the year ended 30th June 1973.

- The results were again a record and earnings per share improved from 7.62p to 9.26p after adjusting for the 200 per cent scrip issue in June 1973.
- The company is increasing its capital by the issue of £6m. of Convertible Preference capital, of which £3m. has been placed with institutional investors and the balance offered to members by way of rights.
- The life assurance subsidiaries have been revalued by the company's actuaries at £20.3m. compared with £8m. last year.

Summary of Consolidated Results

	1973	1972
Profit before taxation	£8,732,000	£6,248,000
Profit after taxation attributable to shareholders	£4,619,000	£3,433,000
Earnings per share (diluted)	9.26p	7.62p
Ordinary dividends (gross)	5.25p	5.0p

Details are contained in the Report and Accounts for 1973, copies of which are available from:

Jessel Securities Limited

22 Austin Friars London EC2N 2LA

INTERIM STATEMENT

London and County Securities Group Limited

Interim Statement

Results for the half year ended 30th September, 1973 (unaudited)

	Half Year to 30.9.73 £000's	Half Year to 30.9.72 £000's	Year to 31.3.73 £000's
Gross profits	2,307	1,443	3,296
Less loan stock interest	390	—	195
Group profit before tax	1,917	1,443	3,101
Share of profits of associated companies	338	139	476
Profit before taxation	2,255	1,582	3,577
Less taxation and minority interests	1,437	899	1,706
Earnings	818	683	1,871
Earnings per share	6.9p	5.8p*	17.8p

*on comparable tax basis.

Group income and profits have continued to show satisfactory growth during the six months to 30th September, 1973.

A profit of £813,000 arising from the sale of shares in an associated company has been brought into the profit and loss account. Banking fees charged since 1st April 1973 for loan advances are brought into the profit and loss account evenly over the period of the facility and, without this change of policy, profits would have been increased by a further £402,000 for the period under review.

Deposit and current account balances of the Bank have continued to grow both at Head Office and in the 21 branches which are situated in major towns throughout the country. The expansion of the banking network is continuing.

Dividend

An interim dividend of 5.5125% net (7½% gross) has been declared in respect of the period on the capital ranking of £1,981,283. This together with the associated tax credit represents the maximum permissible increase over the interim dividend paid last year under Phase Three of the Prices and Incomes Policy.

The interim dividend is payable on 4th January, 1974 to shareholders on the register on 30th November, 1973.

Future Prospects

It is the Directors' view that the results for the full year will, in the absence of unforeseen circumstances, show a further increase over the previous year.

London and County Securities Group Limited
379-381 Euston Road, London NW1 3AU

Montagu

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COMPANY NEWS + COMMENT

Joseph Lucas drive for overseas growth

MAJOR GROWTH for Joseph Lucas (Industries) is to be found outside the U.K. and the group is therefore promoting more strongly than ever its expansion in Europe, North and South America, as well as probing into Eastern Europe, China and the Far East, chairman Sir Kenneth Corley says in his annual statement.

Turnover of subsidiaries in Europe, together with the share of associates, amounted to £33m. during the year to July 31, 1973, an increase of 21m. These businesses are supported by, and complementary to, direct exports from U.K. factories to Europe amounting to £32m.

Elsewhere, sales of subsidiaries with the share of associates amounted to £70m., compared with £51m. Exports from U.K. factories amounted to £29m. Sir Kenneth points out the group's growth in continental Europe has been "very consistent" in recent years and is expected to show a still higher rate this year. This will be helped by recent acquisitions.

The other overseas companies are well placed to take advantage of new opportunities and the recent strong growth in these companies is expected to continue.

"Lucas is a global operating company and is becoming increasingly less dependent on U.K. sales," he says. "Over half our sales and half our profits originate from outside the U.K." The "ever-increasing" demands being placed on British industry are raising difficulties in achieving an adequate level of output. By far the most important problem is the serious loss and interruption of production which is constantly occurring due to industrial disputes.

"There is thus a very urgent need for management and employees' representatives constantly to seek a vital improvement in industrial understanding," Sir Kenneth stresses.

As reported on November 13, pre-tax profit rose from £21.3m. to £26.8m. for 1972-73 and the dividend is lifted from 4.67p to 4.9p.

Meeting, Birmingham, December 17 at noon.

See Lex

INDEX TO COMPANY HIGHLIGHTS					
Co.	Page	Col.	Co.	Page	Col.
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Bids & Deals	34	5	Jessel Secs.	34	7
Casket (S.)	35	5	"Lags"	34	8
Cropper (L.)	35	4	Lucas (Joseph)	34	1
Dunford & Elliott	35	3	M. Y. Dart	34	2
F.C. Construction	34	4	Orbit Holdings	34	4
F.T. Share Service	34	4	Permali	35	3
Grimshaw Holdings	34	3	Peters (John)	34	4
Hepworth (L.)	35	4	Tan Sad	34	7

M. Y. Dart growth potential

THE EXISTING activities of M. Y. Dart contain potential for considerable further growth, chairman Mr. S. Marks says in his annual statement. He is confident that in spite of present difficulties over supplies of materials, further progress will be made in the current year.

The pre-tax profit for the year ended June 30, 1973—as reported on November 1—rose over 50 per cent. to £775,289 and the dividend is lifted from 1.73p to 1.82p.

The directors are continually considering proposals for investment in allied businesses. If these should materialise, they will further the expansion of future profitability Mr. Marks points out.

"In spite of all the difficulties of the present time, I look forward with much confidence to being able to make a further satisfactory report next year," he tells members.

Analysis of taxable profit shows (£'000 omitted): sporting goods £370, packaging £145, pyrotechnics £1 loss (£20 profit), associated companies £83 (nil). Figures for the packaging division are not directly comparable as the business of Rondo-pack Plastics was merged with Trend Moulding and Packaging to form an associated company from January 1 with effect from July 1, 1973.

Performance in the pyro-

technics division was again marred by non-delivery of essential specialised components, the chairman comments. Claims under the terms of Government contracts have been lodged and are currently under negotiation.

At Chesham, the group has purchased additional land adjacent to land already owned, and it is hoped that redevelopment of part—surplus to production requirements—will be permitted.

Meeting, Barnet, December 17 at 2.30 p.m.

Grimshaw Holdings confident

Profits of Grimshaw Holdings in the current year should show a "satisfactory comparison" with figures for the 16-month period to April 30, 1973, according to chairman, Mr. Peter Grimshaw.

Mr. Grimshaw made this forecast at the annual meeting, adding that such a result was "subject only to the current severe economic restrictions having no force effect than management is able to predict at the present time."

Internal accounts indicated that the banking division's operating profits for the first half were ahead of internal budgets and the directors remained confident of the year's outcome. A development in the financial field was that Guinness Mahon had subscribed for a 30 per cent.

stake in a recently-formed instalment finance subsidiary, First Northern Securities, and was to provide a substantial revolving credit facility.

In addition, the group's first U.K. authorised unit trust, the Grimshaw Growth Fund, was to be launched soon.

Big capital outlay by Higsons

THE CURRENT year at Higsons Brewery will almost certainly be one of expensive reorganisation, says chairman Mr. A. L. Corlett. As a result, he doubts whether profits will increase, particularly with margins frozen.

For the year ended September 30, 1973, pre-tax profit was £1.09m. (£0.85m.), as reported on October 30. The gross dividend is lifted to 16.57p (17.5) per cent.

Mr. Corlett also warns that a price rise early in 1974 is almost inevitable when the present malt contracts expire and the full impact of the increased cost of the company's main raw material is felt.

Continuing the policy of concentrating expansion on Merseyside, the directors are currently taking a number of steps: first, the proposed merger with Mellor; second, the acquisition of two pubs in the area from other brewers; and third, the sale of properties in the Potteries and Leek.

The accounts show that commitments for capital expenditure authorised by the Board but not contracted stood at £2,055,000 (£300,000).

Substantial individual interests in the company are held by Bass Charrington 629,630 shares, J. Cottam 682,467 shares, and the Westminster (Liverpool) Trust 700,000 shares. Meeting, Liverpool, December 18 at noon.

See comment

Over the past four financial years, profits for capital expenditure have been in the region of 20 per cent. But from the tone of the latest report and the fact that growth slowed from 10 per cent. in the first half of 1972-73 to 14 per cent. in the second—it would seem that the run is about to come to an end. Certainly the market has recognised the signs as the shares have fallen from 124p at the time of the preliminary announcement to 118p where the p/e is well below the sector norm at 10.7 per cent. However, even though the period of reorganisation lies ahead, the group is clearly not standing still and the current rating may well prove to be over-conservative.

FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:—
BG Securities (Section: Trusts—Finance Land); EG and G Inc. (Section: Overseas—New York); International Oil Exploration NL (Section: Oils); Timor Oil (Section: Oils).

£150,000 from F.C. Construction

F. C. Construction (Holdings) reports a rise in half year taxable profits from £115,000 to £150,000. But the directors expect the second half to show "much less" than this. The 1972 pre-tax figure was £257,435.

The interim dividend is raised from 4.5 pence to 4.71 pence net, declared as 3.3 pence net. Last year's total was 13.64p net per cent. gross.

Progress at Orbit

The change in converting Orbit Holdings from a small investment trust into an investment and finance company during the past two years has brought about a considerable increase in earnings per share, says the chairman, Mr. J. C. Ross.

And he is confident that this trend will continue in the years ahead.

As reported on October 18 group pre-tax profit for the year to June 30, 1973 was £159,257 (£71,098) and the dividend is 1.837p (1.75p) per share.

Since the year end the company has formed a subsidiary, Orbit Trust, to provide a comprehensive banking service to assist commercial organisations and private individuals within the range of £5,000 to £100,000.

Meeting, Grimsby, December 17 at 12.15 p.m.
Chairman's statement, Page 39

John Peters confident

Approval has been given for the change of name of John Peters (Furnishing Stores) to Waring and Gilroy (Holdings). A certificate for the change has been received from the Registrar of Companies.

The directors state they view the future of both the furnishing and clothing divisions with confidence. Although present and future action by Government may be aimed at the construction of retail sales, they are confident that the trading policy of both divisions will enable them to maintain a steady rate of internal growth.

Further, both divisions are looking to the future for expansion by the increase of selling or manufacturing space in this country and in Europe.



Mr. Leslie Porter, now chairman of Tesco Stores (Holdings), which is due to announce interim results on Wednesday.

BIDS AND DEALS

Charterhouse backs Catnic Components

Charterhouse Development, a Charterhouse Group company, as part of a £515,000 cash deal, has acquired a 16 per cent. stake in Caerphilly based, Catnic Components, which claims to have approximately 30 per cent. of the U.K. metal market—this product is fast gaining ground on the traditional concrete lintel.

The company has now over 650 authorised stockists throughout the U.K. and has recently signed an agreement with Alcan. Both Systems to market the Weather-board cladding. Last Friday it signed an agreement with the German company, Stahl-Schanz GmbH to manufacture and market in the U.K. the patented steel door frame system. A new factory in Ebbw Vale is planned for this production. Stahl-Schanz in turn will be manufacturing and marketing the Catnic lintel throughout Germany.

Catnic made pre-tax profits of £390,000 in 1972 and is forecasting substantially increased profits for 1973. It plans to "go public" in 1974-75.

MANAGEMENT TRAINING

The British Institute of Management has sold its 50 per cent. shareholding in Management Training to its partner, Guild Sound and Vision Holdings (a member of Charterhouse Industries).

A joint statement from the two partners explains that it has been agreed that Management Training should now develop other training markets and produce packages on subjects that may fit right outside the interests of the British Institute of management.

Both partners believe that such expansion would best be achieved by re-constituting the company under one owner.

M. BURTON PROPERTY

An extraordinary meeting of Montague Burton Property Limited is to be held on December 11 to seek approval of the acquisition by the company of 17 development properties, together with 21 properties from the Burton Group.

This is disclosed in a letter to shareholders outlining details of the deals, which were first reported on September 26.

SIMON ENGRG.

Simon Engineering proposes to sell the Dudley Foundry to Mr. G. L. Jones, a director of Dudley (though not of Simon Eng.). Dudley is currently indebted to Simon to the extent of £338,000 of which £27,000 is Unsecured Loan Stock redeemable as to £35,000 not later than December 31 and £12,000 not later than 1975. Consideration in satisfaction of the balance of debt amounting to £303,000, and for the sale of the capital will be £180,000 of which approximately two-thirds is payable in cash on completion and balance as the loan stock matures. Full provision for resulting loss was made in the accounts of Simon Engineering for 1972.

WILLIAMS HUDSON
Millionaire Mr. David Rowland's Argos Caribean is now interested in £9,044,850 (44.1 per cent. Ordinary shares of Williams Hudson).

Further expansion for Jessel

A GROUP of fine companies likely to produce sustained and orderly growth over a long period of years "without unreasonable management strain at the centre" has been assembled by Jessel Securities, says the chairman, Mr. O. R. Jessel.

He confidently predicts further progress in the current year. Political parties are committed to a mixed economy and wish to see industry prospering, he points out.

And with access to investment funds from friends in the City Jessel Securities can and will continue to build up a wide range of quoted and unquoted companies ploughing back a considerable part of the profits into training the young and improving plant and equipment. The company's total assets under management of £549m.

Mr. Jessel says the temporary restraint on dividend increases is "an excellent policy" for the company and industry.

After increasing the gross total dividend from 5p to 5.25p in the year to June 30, 1973, the company is still able to retain £2,857,000 (£1,288,000). This excludes further large sums retained in the life companies and after bearing the cost of improved pensions. As reported on October 17 group pre-tax profit was £3,73m. (£3,25m.). Details of a 56m. Convertible Preference issue were also announced.

The group is now actively involved in a wide range of commodities and products—special steels, wire, rum, sugar, tea, blue asbestos and many more.

"I believe that all these items are becoming scarce and that anyone prepared to concentrate upon financing their efficient production must benefit," the chairman adds. Already there is a strong demand in some cases approaching famine proportions for almost every one of the group's products."

It is proposed early next year to announce a scheme for rationalising the group's property interests.

Plans for simplifying the capital structure by the removal of Management Shares is taking longer than anticipated, but members will be informed as soon as a scheme has been agreed.

Meeting, Abercrombie Rooms, EC2, on December 18 at 12.30 p.m.

Chairman's Statement Page 33
See Lex

Tan Sad loss

£129,100

An increased net trading loss of £129,099, against £29,224, is reported by Tan Sad Holdings for the year to July 31, 1973, but the directors point out that it was substantially incurred in the first six months.

In the second six months it was greatly reduced as production and sales began to form a planned economic flow, they add.

During the first three months of the current financial year, while production and sales have increased significantly and operating margins have improved, "they are not yet running at a satisfactory level."

The merger with Luxi Products and the recent acquisition of the pram canopy division of Clark,

Son and Morland places the company in an improved position to expand and diversify into the nursery, toy and children's leisure markets, the directors say.

Turnover January 1973 1,165,354
Net trading loss 129,099
Reorganisation charges 10,122
Net loss 149,221
Preference dividend 1,673

"Excellent" prospects for "Lags"

In his statement as chairman of The London, Australian and General Exploration Company, which has interests in property investment, finance, trading, manufacturing and the music industry principally in South Africa, Mr. Jessel sees "excellent prospects for growth."

Since the January 1972 right issue the company has undergone rapid expansion involving the purchase of two major group Land Investment and Development Corporation and Witwatersrand. The chairman points out that both groups are "placed" to participate in the "growing" prosperity of the countries in which they are active, principally South Africa.

During the year seven companies, engaged in producing cold rolled steel, cold metal sections, coated finishes steel and aluminium coils manufacturing rail trucks conveyor systems and equipment for the steel industry, have been acquired from Jessel Securities.

They are all active in industries. Their total tangible assets amount approximately £1.3m. These companies, which provide further U.K. earnings thus enabling it to obtain a national corporation tax relief, already shown marked profit growth. The relief will be against corporation tax arising from payment of its dividends.

As reported on September 26, group pre-tax profit for the year to June 30, 1973 was £4,104,5m. and the dividend per cent. gross.

Meeting, Abercrombie Rooms, December 18, at noon.

ISSUE NEWS

STAFFS POTTERIE
Holders of Staffordshire Pottery (Holdings) 81 per cent. Convertible Unsecured Loan 5 1990-95 are reminded of their right, exercisable December next, to convert all or part of their stock into Ordinary shares. The rate of conversion for first year when the option is exercisable will be £1.375 nominal stock into one Ordinary share. Notice of conversion must be deposited at the Registrars between December 1 and December 21.

MIDLOTHIAN COUNCIL
The County of Midlothian to-day issuing 22m. of Midlothian County Council Bills at an average rate of 12.5238 per cent. Applications for the bills, which mature on February 25, 1974, amounted to £10m. They are only Midlothian County Council bills outstanding.

Bank of Yokohama is pleased to announce the opening of its

London Representative Office

At: Botolph House, 10 Eastcheap E.C.3.

Chief Representative; Mr. J.F. Hill
Representative; Mr. Y. Maeda

Telephone: (01) 623-5691/3
Telex: 887995, HAMAGIN LDN

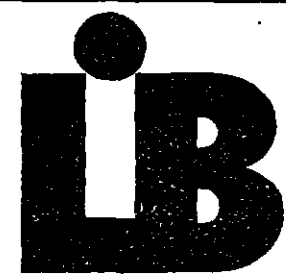


The Bank of Yokohama, Limited

Incorporated in Japan with limited liability

Head Office:

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Foreign Department & International Finance Department:
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Dealer's Telephone: 01-628 8383 (4 lines)
Telex: 884161 Dealer's Telex: 884162

Shareholders: First National Bank of Atlanta - First Western Bank & Trust Company - Indiana National Bank - Keyser Ullmann Limited - Marland National Bank - Mercantile Trust Company, N.A.

RIB

change of address

From Monday, 26th November 1973, our address will be:

PO Box 171,

Tribute House,

120 Moorgate,

London EC2P 2JY.

Telephone and telex numbers remain unchanged:

Telephone 01-588 6480

Telex 888491

Cables: Riblimited London EC2

ROTHSCHILD INTERCONTINENTAL
BANK LIMITED



Highland Distilleries

Highlights from the Annual Report and the Statement by the Chairman, Mr. J. A. R. Macphail, presented to the 57th Annual General Meeting of The Highland Distilleries Company, Limited, held in Glasgow on the 23rd November, 1973.

	1973	1972
Group Profit before Taxation	2,260,000	2,058,636
Group Profit after Taxation	1,276,659	1,321,803
Ordinary Capital	2,558,750	2,558,750
Earnings per Stock Unit	10.4p	10.3p
Dividend per Stock Unit	4.7p	6.4p
(Gross equivalent)	(6.7p)	(6.4p)

● Sales increased by £1,452,381 to £7,375,465. We achieved an increase of some 10% in pre-tax profits despite the fact that as regards new fillings we were restricted to an increase of 4p per proof gallon, instead of the 8p we felt was necessary to enable us to obtain a fair margin.

*Copies of the Report and Accounts are available from the Secretary, The Highland Distilleries Company Limited, 106 West Nile Street, Glasgow G1 2QY.

● Sales of our new whiskies showed excellent growth during the year, and sales of matured whiskies have been fully maintained. In addition, our top quality "Famous Grouse" Blend and Scotch Whisky has shown a very substantial growth during the period under review particularly in the United Kingdom. Margins in general are lower than last year, and the increased proportion of duty paid sales in the turnover figure exaggerates this effect.

● We are marketing in a modest way three of our malts in bottled form, namely Glenrothes, Highland Park and Tamphu. The Board is of the opinion that this could be a growth area, but only in very limited terms by comparison with the blended whisky market.

● Prospects are even more difficult to assess with greatly increased costs and restricted selling prices being very relevant factors, however sales by the industry are buoyant at the present time, and it is to be hoped that the Company will obtain its share.

INTERNATIONAL COMPANY NEWS & EURO MARKETS

EUROBONDS

D-Mark issues out of favour

BY DAVID CURRY

THE MAIN feature in the Eurobond markets over the past week has been the extreme uncertainty of the D-Mark issue. The West-Alpine DM100m issue was originally envisaged with a coupon of 8 per cent, and this had to be increased to 8½ per cent. This is believed to be the largest rise during the marketing of a bond for a long time and is attributed to the sharp rise in short-term rates in the D-Mark.

This means that the D-Mark yields are now at similar levels to dollar bond yields, which is a totally new factor in the market, and suggests that in the long term the D-Mark is now regarded as no stronger than the dollar.

In the dollar sector, the demand for bonds in the primary and secondary markets has been affected by the rise in short-term rates. Six-month Eurodollar rates went up at one point to

10 last week, probably responding to the earlier rise in the U.S. Treasury Bill rate in the U.S. and some heavy borrowing by Japanese banks.

The Japanese borrowing is attributed to the Japanese Finance Ministry's decision to withdraw an estimated \$650m from deposits with Japanese banks apparently to stimulate borrowing to counter the heavy loss of external reserves this month.

Two Eurodollar bond issues were closed this week. The \$30m, 18-year issue for the Government of Mexico with N. M. Rothschild and Sons as co-manager had a coupon of 8½ per cent and was priced at 101. The yield on the issue of convertible subordinated debentures due 1988. Present indications, according to the underwriters, are for a coupon of 4½ per cent, and a conversion premium of about 15 per cent.

The American concern Xerox Corporation, which had an operating income of \$31.7m in 1972 and pre-tax income of \$21.6m, made its debut on the Eurobond market last week.

Strauss, Turbitt and Company are underwritten by the \$75m issue of convertible subordinated debentures due 1988. Present indications, according to the underwriters, are for a coupon of 4½ per cent, and a conversion premium of about 15 per cent.

A Sw.Fr.50m loan is expected to be raised by Manitoba Telephone Company towards the end of the year and it is understood that a World Bank issue is likely in Switzerland in January. Although Sw.Fr.50m is the present maximum for foreign loans in Switzerland it is thought that the Swiss authorities might make an exception and allow a Sw.Fr.100m issue.

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Canadian companies to boost spending

OTTAWA, Nov. 25.

A SURVEY by the Canadian Government indicates that capital spending by major companies in 1974 will increase by 21 per cent over this year's estimate. The survey, issued by the Department of Industry, Trade and Commerce, was taken of 200 large corporations that account for about two-thirds of non-agricultural business investment in the country.

The industry Minister, Mr. Allan Rock, said the survey shows prospects for strong economic growth in Canada next year particularly in manufacturing, oil and gas production and commerce. However, he said that less extensive growth is forecast in Quebec.

Very large projects for the new steel mill, chemical plants and pulp and paper facilities are features of the manufacturing programme. Above average increases in spending are also planned by oil and gas companies and by those in the commercial sector.

The only industry indicating a lower level of spending in 1974 is mining, where several very large projects are nearing completion. Mr. Rock said the overall 21 per cent expansion compared with 15 per cent this year.

World Bank Kuwait loan

THE WORLD Bank is negotiating with Kuwait for a World Bank loan of \$200m. The loan is for the Kuwaiti oil fields. The bank's fifth issue in the Kuwaiti market, still have to be fixed.

In the longer term, a number of Arab countries are exploring the possibility of developing an Arab unit of account, perhaps along the lines of the recently launched Euro unit, for use as a bond issue vehicle, Mr. A. Hamed said.

He also called for the development of an "underdeveloped" bond market in the Arab world against the risk of depreciation of their investments illustrated by the recent series of dollar devaluations and the current high rate of inflation.

AUSTRALIAN WEEKLY LIST

Advertiser	Nov. 25	Nov. 15	Nov. 25	Nov. 15
Advertiser	2.21	1.71	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76
Advertiser	0.68	0.68	10.74	0.76

TEL AVIV STOCK EXCHANGE

Company	Price	Change	Company	Price	Change
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12
Bank Leumi	105.5	-12	Bank Leumi	105.5	-12

HONG KONG

Company	Price	Change	Company	Price	Change
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12

SINGAPORE PRICES

Company	Price	Change	Company	Price	Change
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12
Government	105.5	-12	Government	105.5	-12

Indices

NEW YORK

DOW JONES AVERAGES

Index	Nov. 25	Nov. 15	Nov. 25	Nov. 15
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70
Index	114.70	114.70	114.70	114.70

STOCK AND BOND YIELDS

Nov. 25, 1973

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THE JOBS COLUMN

Saving children . Heir for rubber . Upper marketing

BY MICHAEL DIXON

THE CHARTER of the Save the Children Fund, which was founded in 1919, requires it to preserve child life wherever it is threatened. And the fund does its best to comply—current operations span just under 50 countries, including Ethiopia and Vietnam.

Sir Colin Thurnley, the former Colonial administrator, who has been director-general of the fund for nine years now, is soon to retire. So a successor is needed to head the executive council. This currently has 43 eminent members, including chairman Lord Gore-Booth, former chief of the Diplomatic Service.

A feature of the fund is that, instead of merely making grants, it runs its own operations. Its aim is to go beyond relieving disaster and set up the beginnings of a child health and nutrition service which it can hand over to the people of the area concerned.

As well as in the starved countries, the fund helps unfortunate children in the U.K. where it provides, for example, playgroups in hospitals.

Its income is given and raised by volunteers all over this country—the 720 branches contribute around £500,000 a year, workers subscribe about £250,000 through the "pennies a week" appeal, and so on. Annual income is around £3m, a year of which only about 17 per cent goes on overheads, although headquarters staff in London number about 120.

The main problem now, says Sir Colin, is that though our income has been rising, it has not risen as fast as the pound's value has eroded. I suppose we'd better say "floated downwards." We're facing a deficit this year which looks like being £150,000. But, you know, we have enormous faith in our voluntary supporters.

The director-general's immediate paid help consists of a deputy, directors of fund-raising and of overseas operations, an administrative secretary, and a chief accountant. A director of U.K. operations may be added soon.

The DG has a full-scale chief executive's job requiring not only management skill and business sense, but also the presence to represent and speak for the fund among the general public, voluntary helpers, and professional staff.

Candidates, aged about 40-55, could have developed the necessary presence and powers in business, administration, or the Services. They'll need to be willing to start at I would guess, something not much over £5,000. No perks. Few holidays. World-wide travelling — by tourist class, of course.

Applications to Ken Slater of Tyzack and Partners (10 Hallam Street, London, W1N 6DJ. Tel: 01-580 2924).

Deputy MD in Glasgow

Robin MacLellan, chief executive of the family-owned George MacLellan group, is looking for a deputy managing director for one of the three operating companies. This is the Glasgow-based MacLellan Rubber, which employs about 400 and makes rubber and synthetic products mainly for engineering purposes.

The other companies are Flexible Ducting and MacLellan Weatherwear.

In a few years the deputy is likely to succeed Rubber's present managing director, Basil (yes, you've guessed it) MacLellan. Until then the task is to help to run the company and continue its "re-modernisation."

"We want someone aged 30-40 who, if not Scottish, has a sympathetic awareness that we Scots have our peculiarities," says Robin MacLellan (Shuna Street, Glasgow, G20 9QA—telephone 041-946-5111).

Candidates must be used to 400-700 employee organisations, and have had profit responsibility for a business operation. Degree and/or higher studies in management preferred.

Salary unquoted. I would estimate £4,000-£6,000. Perks include car and non-contributory pension.

In the year to September 30, 1972, the group made £263,000 pre-tax profit on £3m. sales. I think it might have done better in 1972-73.

Porvair's firm foothold

"We made a £1m. loss in each of our first three years, cut it to £280,000 last year, and in the first half of the current one we scored a £180,000 profit. So we've turned the corner," says

John Shapley. He is marketing director of Porvair, maker of the eponymous synthetic material used for the upper parts of shoes.

"It's sold for other things, such as watchstraps and footballs," Mr. Shapley adds. "But our prime aim is to dominate the footwear markets. I estimate that something like 7m. pairs of shoes will be made in the U.K. from our material this year, and we've completely sold out our plant capacity. Fortunately, we have more coming available next year."

"But although we've done well, we can't let our marketing rest. We're going to come under attack now. And at the same time, I need to give more of my attention to policy matters and sales overseas."

So he wants a market manager U.K. for the company, which is owned by Inmont Corporation of the U.S. Based in Northampton, the manager will also cover Ireland. Tasks include developing and launching new fashion lines, and negotiating with important customers.

Candidates must already be sales or marketing managers, with companies manufacturing, selling or distributing shoes, or supplying the footwear industry. Graduate-level intellect essen-

tial. Languages would help. Age 35-47.

Salary negotiable from £5,000. Other benefits for discussion. Applications to Eric Davies, personnel manager of Porvair (Estuary Road, King's Lynn, Norfolk).

High-pressure production

A production director is wanted by Avimo. Its two Taunton factories make "fairly sophisticated optical instruments, such as signalling systems for fighting vehicles," says managing director Roy Mountain (Cyril Street, Taunton, Somerset).

Turnover has risen from £1m. to £3m. in something like four years, and the company now has a very large order book. Also, the 600 employees are dealing with relatively small batches of multi-element, complicated products. So the production director will have an extremely high pressure job.

The two works managers will report to the new director, who will join the company Board. Candidates must have been successful production managers in some similarly complicated

batch-production set-up. Engineering qualification wanted. Age 35-50.

Salary £5,000-£6,000. Car. Help with removal. Contributory pension. About four weeks' holiday.

Avimo is owned by United Scientific Holdings, which in the half year to March 31 made £184,803 pre-tax profit on £1.72m. turnover (£124,421 on £1.16m.).

Maplin's main money man

The Maplin Development Authority is already at work even though Parliamentary approval will be needed before it can start reclaiming a chunk of about 20 square miles of land off the Essex coast.

"Since we cannot get approval until early next year at best," says Douglas James, the Authority's chief executive, "we shall be hard pressed to meet the target date for the airport, which is 1983, and the target for the sea port, which is still closer: part of this should be ready in 1977. So we shall have to be ready to go out to tender as soon as the go-ahead is given."

Mr. James, previously Department of the Environment finance specialist, wants a man experienced person of skill to become his chief financial officer. The newcomer will be part-time at the London headquarters, where there are full-time staff, including an accountant.

Tasks will include working out financial policy (borrowing will be mainly from Government); reviewing development cost projections for air and sea ports and for development — possibly a leisure centre — of some 20 acres of the site; and negotiating at high levels.

Responsible to Douglas James and the Board under chair Sir Frank Marshall, the corner will be a qualified accountant, either retired or otherwise able and willing to work days a week for about £27,000 (which represents about fifths of a Civil Service assistant secretary's full pay).

Candidates must have had leading financial role in organisations dealing with large, complicated projects. "We have very odd cash flow situations," says Mr. James (2 Marsh Street, London, SW1P 3EL. Tel. 01-212 7433).

BANKING AND INSURANCE APPOINTMENTS

NPI CAREER OPPORTUNITIES

Trainee Investment Analysts

We require two trainees in their early twenties to join an enthusiastic team at our Head Office in the City of London.

We are a leading well established life assurance company and growing fast.

With us your training and development will be watched carefully. We will see that you are given every opportunity to develop your skills and initiative.

The only qualifications we want are that you have been educated to 'A' level standard, possess common sense and are ambitious to grow with us.

We will pay a starting salary of not less than £1620 p.a. advancing to £2070 whilst under training. In addition there will be £150 London allowance and substantial fringe benefits.

Why not drop me a line?

Mr W Kingston
National Provident Institution
48 Gracechurch Street
London EC3V 0BB

npi The Life Assurance Company

Loan Negotiator

Substantial capital sum within 3 years

One of London's fastest growing private banks has an exceptional opportunity for a man of outstanding ability who has a property/financial background and loan negotiating experience with a bank or finance company.

He will be negotiating loans to property companies and must therefore have excellent contacts and wide experience of property.

He will be permitted to subscribe for shares in the company, which should provide a substantial capital sum within three years, and will have a generous salary, plus the opportunity of a directorship.

Please write in strictest confidence giving full details of your career to date, quoting reference CL2492 on the envelope to:

Foster Turner & Benson Recruitment Consultants,
St. Alphage House, Fore Street, London EC2V 3DP.

CONFIDENTIAL REPLY SERVICE. If there is any company to whom you do not wish to apply, advise us in a covering letter, omitting the reference number on the envelope.

FTB Foster Turner & Benson
Recruitment Consultants

YOUNG BANKERS. DOES YOUR FUTURE LOOK RESTRICTED?



YOUNG BANKERS. DOES YOUR FUTURE LOOK RESTRICTED?

We can offer you a different but closely related career route in our commercial lending department which opens up new prospects of immediate interest and considerable potential.

With Mercantile Credit, you would add new dimensions to your career and prospects.

In the field, you meet new people and experiences. We provide a company car (plus expenses allowance) and you are no longer waiting for the world to come to your counter. You meet customers in their own varied environments. You use all your initiative and judgement to create new business opportunities and continuing good relations.

In the field, there's no brake on the pace of your career, prospects and rewards. The prospects for our men in the field are very good. These men are the basis of the growth and success of our business, and their vital role is respected and rewarded accordingly. Commercial finance is one of the fastest-growing areas of banking, and the knowledge and experience you would quickly gain would stand you in good stead for a secure and exciting career.

If you are aged 22-28, part-qualified A.I.B., and enterprising enough to take this opportunity, get in touch now.

Vacancies exist in our expanding group in Central London, N.W. London, Southampton and Leeds.

Write or phone for an application form for Commercial Lending vacancies, to: C. O. Hope, Mercantile Credit Company Limited Elizabethan House, Great Queen Street, London, WC2B 5DP. Tel: 01-242 1234.

Mercantile Credit

CURRENCY DEPOSIT BROKING

A Chief Dealer is required by a firm of international money brokers to take full responsibility for all dealing and new business activities. The company is trading mainly in currency deposits.

Applications are invited from established brokers well known throughout the City, aged 30-40, with a minimum of 5 years' active experience in the currency deposits market.

A substantial five-figure salary is negotiable and the position offers excellent prospects of a directorship and a share in the profits.

In the first instance, and in the strictest confidence, please telephone John Byrne (Director) on 623 5851.

JONATHAN WREN & CO. LTD., BANKING APPOINTMENTS
THE WHITE HOUSE, 15 FISH STREET HILL, LONDON EC3R 6BP

Marketing Director for Lloyd's Broking Group

Salary negotiable

Our Client, a medium-sized Lloyd's Broking Group, requires a marketing director to plan and develop their UK broking operations.

The position carries exceptionally attractive prospects for promotion within this long-established Group which has expanded rapidly during the last few years.

Martin Greene, Dewe Rogerson Limited, 4 Broad Street Place, London EC2V 7HE.

If there is a particular company to whom you do not want your application forwarded, enclose a note to this effect.

The successful candidate, in the age range 35-45, will have both broking and administration experience, and be professionally qualified. Personality, drive and management ability are essential for this position and will be remunerated accordingly.

Apply in confidence, giving brief career details to:

THE PAINLESS WAY
TO FIND A

SENIOR SECRETARY

If you need a PA Secretary, a girl with the Right background and qualifications to assist you in your work with smooth efficiency, then you also need a high calibre service to interview and short-list applicants for you.

Please ring Nicola Mackenzie on 629 5747, the SPECIAL APPOINTMENTS DIVISION OF Adventure.

COMMODITY ADMINISTRATION MANAGER

£7,000

The London based subsidiary of a worldwide commodity trading organisation requires a man with proven administrative expertise to manage a commodity team. The man appointed will be part of a senior management team and will have considerable responsibility in his ability to organise, delegate and control a very part of the company's activities. This entails the administration of United Kingdom and international commodity movement within a highly competitive market involving an annual turnover in excess of one million tons. It is unlikely that the candidate earning less than £4,000 per annum would have the necessary experience for this position.

Applications in confidence to Hugh Harvey quoting Ref: 18057 FT
21 22 Poline Street, London W1V 3DG 01-734 0043

GILT EDGE DEALER

Required by firm of brokers expanding institutional business. Previous experience in edged dealing desirable but not essential.

Write Box T.2893, Financial Times, 10, Cannon Street, EC4P 4BY.

ACCOUNTANTS. Qualified and Chartered City jobs from £2,000 p.a. to £4,000 p.a. at City Centre 207, phone 236 5843.

JPK 10155A

ing A. Beckman Limited

Record growth in first year as a public company

Year ended 30th June	1973	1972
Turnover	£8,539,954	£8,765,505
Profit before Tax	£1,133,314	£664,873
Profit after Tax	£680,314	£396,573
Earnings per Share	8.80p	5.29p

Highlights from the Statement by the Chairman, Mr. S. Beckman.

- * Record turnover, profits and earnings per share. Substantial increase over previous year's figures.
- * Results obtained without benefit of acquisitions and represented entirely by internal growth.
- * Gross dividend equivalent to 55% compared with 35% forecast in Offer for Sale.
- * Strong liquid position enables us to take advantage of opportunities that may arise.
- * Turnover since the year end shows substantial increase compared to same period last year.

Copies of the Report and Accounts are available from The Secretary, 112 Great Portland Street, London, W1N 6JB.

Geo. W. King sale to Camford saves 600 jobs

BY KENNETH GOODING

AT LEAST 600 jobs have been saved at the Geo. W. King factory at Stevenage, Herts, following the sale of its assets and liabilities by Tube Investments to the Luton-based Camford Engineering.

Tube Investments paid £2m. for King in 1967, since when it has suffered substantial losses. It will collect £125m. on deferred terms for King's net assets, said to be worth "significantly more" than this sum.

The company had intended to close down the major part of its King's operations, involved in the manufacture of mechanical conveyor and warehouse installations primarily for the automotive industry.

Closure would have meant around 750 redundancies out of a total workforce of 1,000 at the plant. Since the possible deal with announced in October, negotiations with the unions represented at the factory have played a crucial part in the outcome.

Camford stated at the week-end that employees had "accepted" the proposals in their entirety. Camford also intends to stop making the conveyor systems

and will use the factory to expand production of its present business—bolts and metal pressings for the car industry. This means most of the redundancies will be among King's administrative and clerical staff.

Camford takes on responsibility for all employees—whether they stay or are redundant—when the deal is completed on Friday.

It has been looking for a suitable site so that it can speed up its expansion programme. Its first move was the sale of a 20-acre plot at Luton, bought for £600,000 a year ago. The sale brought in £1.9m.

Terms of the deal are exceptionally favourable to Camford as the bulk of the purchase price is deferred interest free. Camford will pay £250,000 on completion and £500,000 on November 30, 1974 and 1975.

It says it will honour all King's existing contracts and will supply spares for "a limited period" it will also continue King's operations in pneumatic handling equipment, door gear, hoists and making the conveyor systems

Second man lost in round-the-world race

BY ALEC BEILBY

THE WHITBREAD round-the-world yacht race has claimed its second victim in less than a week.

Last night, Dominique Guillet, joint owner and skipper of the French yacht 33 Export, was reported to have died in a crash-landing in the Indian Ocean. Last week, Paul Waterhouse, a British serviceman, was lost from the Italian yacht Tauranga.

It appears that both accidents occurred at night in heavy seas and in winds of 50 m.p.h. or more. Some observers think those mouth.

JOINT ANNOUNCEMENT ELSBURG GOLD MINING COMPANY LIMITED ("Elsburg")

WESTERN AREAS GOLD MINING COMPANY LIMITED ("Western Areas")

(Both incorporated in the Republic of South Africa)

PROPOSED RATIONALISATION OF OPERATIONS

In a joint announcement published in the press on 25th September, 1973, members of Elsburg and Western Areas were informed that discussions were taking place with a view to the merging of their companies' respective mining operations and that approval in principle for such a merger was being sought from the Minister of Mines.

A detailed technical and financial study of the advantages arising from such a merger has now been completed, and shows that it should result in considerable benefits to both companies. This study has, however, also revealed that a merger based on current market prices, or an average of market prices in recent months, of their respective units of stock would be to the detriment of Western Areas' stockholders.

It is expected that the recovery grade at Western Areas will improve from 1974, now that the increased flow of water encountered during August 1972, has largely been overcome and the operational limitations imposed by the enforced withdrawal from the high grade area have been removed. Taking this into account, and after examining in detail the longer term prospects for the two mines, the directors of both companies consider that the value of a Western Areas stock unit in relation to that of an Elsburg stock unit should be higher than current market prices would seem to indicate.

Subject to the approval of the members of the two companies concerned and of the Committees of the Johannesburg and London Stock Exchanges, and of the appropriate authorities, it is the intention to merge the companies by means of a Scheme of Arrangement.

It is proposed that stockholders of Elsburg will receive 65 units of stock in Western Areas for every 100 units of stock held in Elsburg. The directors of both companies consider this to be a fair and equitable and recommend their acceptance by stockholders.

The directors of Elsburg will apply to the Supreme Court for the convening of the statutory meeting of stockholders to approve the Scheme of Arrangement. An Extraordinary General Meeting of stockholders of Western Areas will also be convened for the same date to approve the Scheme of Arrangement and to authorise an increase in that company's equity.

The documents supporting the proposals for the Scheme of Arrangement, and advising members of the date of these meetings, will be posted in due course.

BY ORDER OF THE BOARDS,
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries,
per: D. F. R. Brumage.

26th November, 1973.

WADES DEPARTMENTAL STORES LIMITED

A Successful Year's Trading

The 41st Annual General Meeting of Wades Departmental Stores Limited was held on 23rd November in Sheffield. The following are extracts from the circulated statement of the Chairman.

The Group trading profit before taxation and before the adjustment of the provision for unmaturing profit has increased to £946,262 (£821,972). The unmaturing profit provision is increased by £135,489 (£161,860). After taxation which takes £382,285 (£188,649), the net profit is £428,518 (£271,463).

The new stores at Kings Lynn and Darlington opened during the year are now trading profitably. Premises at Carlisle and Whitehaven have been acquired since the end of the financial year and after complete refitting, will be open for business towards the end of 1973. The programme of modernisation is being continued and improvements at Manchester, Bishop Auckland, Sunderland, Exeter, Doncaster and Barnsley should benefit the current year's trading.

A final dividend of 5.6% net (equivalent to 8% gross before A.C.T.) on the capital as increased last November has been recommended making a total dividend of 9.1% net for the year on the Share Capital as now constituted compared with the equivalent of 7.894% net for the previous year. Your Company being a Close Company the Treasury has confirmed that it will raise no objection to this distribution.

In view of the excellent trading results, the Board has recommended a Capitalisation Issue to all Shareholders in the ratio of one Non-Voting 'A' Ordinary Share for every five Ordinary Shares. Non-Voting 'A' Ordinary Shares or Incentive Shares held. Subject to current legislation, it is expected to maintain the rate of dividend on the increased capital.

The Report and Accounts were adopted and the proposed Capitalisation Issue approved.

Government housing land policy questioned

A CONSULTANT's report published to-day by the Northern Counties Federation of Building Trades Employers questions Government policy on the supply of land for building housing.

The report, drawn up by planning consultants Mark Liell and Son, of London, finds the house-building rate on the Teesside is such that all available land will be used up much quicker than expected, unless sites "with physical defects are improved."

In June there was a nine-year supply of building land in the private sector and a six-year supply in the local authority sector, it says. However, if all sites with difficulties such as lack of services were excluded, the private land supply would drop to just over five years against four years for public land.

If sites where construction had begun at the time of the survey were also excluded, the total land available for private building would drop to about four years' supply—below the five-year availability target called for by the Government.

The consultants say their survey shows doubt on whether the Government five-year formula should be accepted. In Teesside, planning based on this formula underestimated the rate at which residential building land would be used up.

They urge the Northern Counties Federation to press Teesside Council to improve the condition of land available in the private sector. The fact that a large proportion of land earmarked for private building is owned or controlled by the council makes the immediate position less favourable to private sector builders, says the report.

CIR urges new attitude to white-collar unions

BY JOHN WYLES, LABOUR REPORTER

ENGINEERING and chemical employers are urged in a Commission on Industrial Relations study published to-day to modernise their recognition policies to take into account the development of white-collar unions.

Industrial companies in general are advised to work out a company policy on all aspects of white-collar union recognition and to seek a joint development of the policy with the unions concerned.

Some of the problems facing the chemical and engineering employers, in particular stemming from the mounting competition between white-collar unions for members and recognition, are pointed out in the study.

Out-of-date

The Engineering Employers Federation's existing recognition arrangements were found to be now out-of-date "because white-collar unionism has developed to a much greater extent than was originally thought likely and many new situations have arisen."

It is noted that the EEF's attempts to achieve a comprehensive revision of its six procedural and recognition agreements with white-collar unions have so far been unsuccessful. A new single national agreement with three clerical unions signed in September which replaces three separate agreements, is only on a formal and exclusive basis.

Unlike the EEF, the CIA's policy specifies the various forms which recognition may take and have so far been unsuccessful. A new single national agreement with three clerical unions signed in September which replaces three separate agreements, is only on a formal and exclusive basis.

The value of the CIA's advice would be enhanced, says the study, if the policy was the result of joint agreement with trade unions. Investigators found a "growing body of opinion" among the CIA's members in favour of such an agreement at national level.

At company level throughout the engineering and chemicals sectors, the CIR urges the

recognition of a sphere of influence for the union. ASTMS recruitment throughout the technical areas had induced TASS to extend its recruitment drive into areas not specifically covered by its national agreement. "The resulting competition for members has produced open inter-union conflict in a number of companies," says the CIR.

Guidelines

In addition, says the CIR, the situation in engineering has been further complicated because of moves by ASTMS and TASS into the clerical field—despite the fact that neither has an agreement with the EEF for clerical workers.

The EEF and the unions are urged to agree general guidelines to lessen the problems of multi-unionism which are clearly apparent at plant level.

Turning to the chemical industry, the CIR found no common pattern of bargaining units and agents. This is largely due to policy guidelines laid down by the employers' organisation, the Chemical Industries' Association, which seeks to avoid multi-union recognition and inter-union competition.

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Reasons

Reduced security of employment, the growth of bureaucracy, an erosion of earnings differentials between white-collar and manual workers may all be reasons accounting for the growth, says the CIR.

However, the study says that many employers, when faced with a claim for recognition, "feel that they are to blame," that they have in some way failed and that the claim represents a vote of no confidence in them by their white-collar employees.

The CIR concludes that "those managements who accept white-collar unionism and take a positive rather than a negative attitude to the implications of the recognition are able to deal more successfully with their subsequent involvement with unions in joint discussions and negotiations."

CIR Study 3: Recognition of white-collar unions in Engineering and Chemicals SO 50p

ORBIT HOLDINGS LIMITED

Extracts from the Annual Report and Accounts to 30th June, 1973, and from the Statement of the chairman, Mr. J. Carl Ross.

	1973	1972
Group Profit before Taxation	£159,257	£71,098
Earnings per Share	3.29p	1.86p
Dividend per Share—equivalent to	1.84p	1.75p
Advances	£1,478,499	£526,415

Profits and Dividends

Group earnings adjusted for extraordinary items were 3.08p per share, an increase of almost 50 per cent. The Directors are recommending a final dividend of 0.84875p per share, the maximum allowable under current legislation.

Prospects

During the past two years the Company has been converted from a small Investment Trust into an investment and Finance Company. This change has brought about a considerable increase in earnings per share and the Directors are confident that, in the absence of unforeseen circumstances, this trend will continue in the years ahead.

GENERAL APPOINTMENTS

Institute of Offshore Engineering Heriot-Watt University

Established by the University with initial financial assistance from the Wolfson Foundation, for the purpose of creating a centre of specialised knowledge in offshore engineering, IOE adopts an independent position to make it an acceptable partner in collaborative research projects with industry and/or government.

IOE has an immediate aim to assist in solving technological problems in exploiting hydrocarbon resources offshore. IOE will also become concerned with aspects of other offshore resources and with the problems of engineering in/for deeper waters.

The Institute will shortly move to a new building under construction on the University's Research Park at Riccarton, miles from the centre of Edinburgh.

The University has identified a role to act as a focus for research related to offshore engineering and underwater technology and IOE will act as the link ensuring that this education achieved in conjunction with relevant industry and with real technological problems.

DIRECTOR IOE

It is now intended to appoint a full-time director with the necessary engineering experience, vision and tenacity to secure the above objectives, to devise strategy for future development, seek out ways of ensuring continued financial support and to provide opportunities for problem-oriented research for academic staff of the University. Initial appointment will be on contract of up to three years' duration. Post to be taken up at the earliest opportunity and preferably no later than April 74. Salary will be in the professional range.

Applications to be submitted not later than 31st December 73.

Please quote reference No. 16/1/5006. Further particulars from and applications in confidence to Professor Tom Parren, Acting Director.



Heriot-Watt University
79 Grassmarket, Edinburgh.

Leading French Engineering Company
Headquarters in Paris
subsidiaries

Senior Engineer for Development of their Engineering Activities relating to offshore facilities

Minimum of five years' experience in this particular field required. Knowledge of French desirable.

Interested candidates should submit brief resume to General STROMBERG, 19 RUE SINGER, 75012 PARIS, FRANCE.

Interviews to be held in London on December 4 and 5.

These securities were offered and sold outside the United States. This announcement appears as a matter of record.

NEW ISSUE

November 26, 1973



280,000 Shares

Vetco Offshore Industries, Inc.

Common Stock
(Par Value \$50 Per Share)

Merrill Lynch, Pierce, Fenner & Smith
Securities Underwriter Limited

Banque de Neufville, Schlumberger, Mallet

Swiss Bank Corporation (Overseas)
Limited

Algemene Bank Nederland N.V.

Amsterdam-Rotterdam Bank N.V.

Julius Baer International
Limited

Banca Commerciale Italiana

Bank Mees & Hope NV

Bankhaus Marcand & Co.

Banque de Bruxelles S.A.

Banque de l'Indochine

Banque Lambert S.C.S.

Banque Nationale de Paris

Banque de Paris et des Pays-Bas

Banque Privée

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Lombard
**It's time
our world
began to
grow up**

BY C. GORDON TETHER

THE fashionable new theme is that the "disarray" in which the oil crisis has found the EEC calls for a speed-up of all forms of Common Market integration. In this way, we are told, the "Nine" can be turned into a bloc capable of taking on any other groups that care to throw down a challenge in future. Yet it is surely arguable that what recent events have really done is to spotlight the need for Europe to strike an entirely new note—to strive to reverse the processes that are resulting in the power to determine the fate of the world's 3,500m. people being entrusted to a handful of politicians.

Two men—Mr. Nixon and Dr. Kissinger—are effectively running America's "Big Power" set-up. Two others—Mr. Kossygin and Mr. Brezhnev—run its Russian counterpart and the Middle East oil version that is currently making so much of the running is operated by fewer sheikhs than you could count on the fingers of one hand.

Now the heat is on to turn the "Nine" into a bloc which would presumably have similarly "well-defined" leadership. Herr Willy Brandt, the West German Chancellor, called for urgent steps towards the formation of a European Government with sovereign rights. And we are told that the French Foreign Minister's recent call for "understanding efforts to build Europe" is to be interpreted to mean that France is now prepared to make concessions to her partners to achieve for Europe a stature comparable with that of Russia and America.

Discretion

Pro-Market everywhere join in to assert that we must all be prepared to do whatever is necessary to ensure that Europe is never again found so "disunited". That means, so the theory runs, setting the integration sights much higher than economic and monetary union. Indeed, because the immense difficulties this part of the togetherness crusade is encountering can no longer be glossed over, some are arguing that we should by-pass it for the present and head straight for political unification.

The assumption underlying the new enthusiasm for forming an EEC power bloc is that, given such a set-up, the oil crisis would have been less damaging to Europe. I wonder. The Arab countries' threat to reduce the flow of oil to a trickle if they are pushed too far and blow up the installations in the event of armed intervention reminds us that discretion in such matters is often the better part of valour. The broad effect of being "disunited" has been to cause the "Nine" to show a discretion that has prevented the worst coming to the worst. Would it have been the same if they had the "benefit" of a centralised leadership of the Nixon-Kissinger type which would have been under strong pressure to identify itself totally and unequivocally with one course of action rather than another?

Vietnam

There are other highly important points that are almost invariably disregarded in efforts to prevent the creation of a European power bloc as a self-evident good cause. Because the form of government that emerges in such circumstances stands very little chance of being democratic, the concentration of power at the top is accomplished at the cost of creating serious divisions lower down.

We all know how divisive Vietnam was for the Americans. And no one imagines that the Brezhnev-Kossygin directorate enjoys the full-hearted support of the Russian nation, let alone that of the populations of the satellites. How much true unification would an EEC equivalent, assembling nine different nations under one banner, achieve when to take one example—the people of Belgium cannot even agree to sink their differences over language.

The real need is to win the world over to a way of life based on co-operation rather than heavyweight competition, and never was the need for collaboration in every direction so apparent. One need look no further than the size of the global arms bill to see how far the power bloc form of organisation can be relied upon to do that.

Europe, we are told, was the cradle of civilisation. Let it now devote itself to resurrecting the gospel that it is time the world began to grow up and turned its back for good on the essentially immature "great power" phenomenon.

THE LEX COLUMN

Arguments about the SIH minority

Everybody concerned must be hoping that the bid for Shipping Industrial Holdings by the Viasov/Capitalin consortium will not be referred to the Monopolies Commission. The bidder has already committed some £50m. at negligible rates of return, and would seem to have little option but to sit and wait for a decision. Both Viasov and SIH are anxious to avoid a further period of uncertainty, not least because major SIH interests outside shipowning—ship and insurance broking—are substantially goodwill businesses. Valuations of SIH's fleet, of which more later, could well look rather different in a few months' time. Finally, if the bid were to be deemed against the public interest, the Government would find itself landed with a red hot political potato, since the foreign-based consortium already has control.

The Government's decision is expected in the very near future: meanwhile Viasov and SIH are still talking politely, but about totally different numbers. The basic argument

is not, of course, about the price or the future of the non-shipowning interests, but about the value of the fleet, where SIH's sums seem to come out as much as 50 per cent. higher than Viasov's. Its estimate of the fleet's net worth—around 550p per share gross of tax—is supported by an independent valuation at open market prices. The problem is that since the start of the Middle East War there simply has not been a market.

Freight rates, however, have plummeted—Mullion's tanker index stands at roughly half its autumn peak—and that obviously has a bearing on second hand values. Going back to the last cycle, shipping consultants H. P. Drewry reckon that the price of a 50,000-ton bulk carrier rose by over two-thirds in 1970, and dropped by more than a third in 1971. SIH's fleet—big bulk carriers and OBOs, and no tankers—could be much less volatile, especially given the rapid increases in new building costs, and the current freight market

is severely distorted. But it is very much an open question how far rates will recover once the Middle East question is settled.

Plainly, the SIH Board's job is to get as high a price as possible for the minority. Equally plainly, Viasov is interested in securing its agreement: the goodwill element in shipbroking—especially that division's work for Esso—is relevant here, as is the point that the bidder apparently wants to expand on a London base. The fact remains that the consortium already has 61 per cent. of the equity under its belt, and its bid is unconditional. If, from this kind of base, it is obliged to make a significant improvement on its existing terms, then SIH will have scored a notable triumph.

Jessel Securities

Jessel's annual report makes a brave call for profits to be shared more equitably between manufacturing industry on the one hand and financiers and property owners on the other.

Yet the accounts show clearly that making money was—as usual—easier in the City last year, with London Indemnity's capital value up £12.3m. The group emerges as more of an insurance operation than anything else, with LIG accounting for 41p a share out of an overall net worth of maybe double that, after making crude allowances for the impact of the market slide on the June 30 equity investment valuations.

The London Indemnity coup was achieved through heavy sales of ten-year maximum income bonds—around £70m.—the income on which was not maximum enough to prevent very profitable matching against dated fixed-interest stocks. Competition has seriously squeezed margins on new business more recently, however, so the insurance company may have to look elsewhere for growth (hence, perhaps, the Houseowners' Fund).

Joseph Lucas

Down more than a fifth in two

weeks, the Lucas share price has been trying to get to grips with problems more menacing than the usual run of motor industry strikes. If it comes to a slowdown in car output, Lucas—which is 92 per cent. motor and aerospace in sales to terms—has no obvious protection. The shares, of course, look to a p/e of 8 for solace, except that the report suggests a p/e of nearer 13 on a replacement cost accounting basis.

Dunford & Elliott

It has already been noted that if Dunford and Elliott could lift the Brown Bayley Steels acquisition's profit margins up to the level of its own Dunford Hadfield operation, BBS would be capable of making £11m. pre-tax. Yesterday, Dunford brought down from possibilities to avoid dilution of its net 1972-73 earnings of 10.92p a share. BBS needs to make £84.00m. pre-tax, and from necessities to hard facts, like the losses BBS has reported

over the past 18 months—although BBS is making happier noises about its prospects.

Meanwhile, Dunford's own annual report gives some idea of the limitations imposed upon a small company which is trying to get big. There is a certain freedom in the p and i account, where the amount charged for leasing amounts to £74,000, against payments actually made of £199,000, with the remainder capitalised into a balance-sheet account in the balance-sheet. However, other more restrictive items are more National City Bank require the creation of a loan redemption reserve, with transfers going in on the basis of 50 per cent. of profits above a predetermined level; while the cost of the stake in Johnson and Firth Brown—in the books at £3.7m. following Dunford's abortive bid for Firth Brown early this year—is that 50 per cent. of any excess of the aggregate proceeds of sale over £3.9m. will be paid to the vendors.

See also Page 35

Oil embargo forces Nixon to take further action

BY PAUL LEWIS, U.S. EDITOR

THE ARAB oil embargo is finally forcing President Nixon to restrict America's energy consumption by law, only a few days after he threatened reprisals against producers who withheld their supplies much longer.

Although the Administration still rejects a return to wartime rationing, the President announced a number of other measures to conserve supplies which fall just short of this, in a television address to the nation this evening.

The most spectacular is an outright ban on Sunday petrol sales in an effort to curb weekend pleasure driving coupled with restrictions on display lighting that will darken shop windows this Christmas. There will also be a 50 mph speed limit on cars and a 55 mph limit on lorries.

The Administration hopes for immediate voluntary compliance, although the measures will not become law until the President's energy Bill is passed by the Congress.

In addition, the President has moved immediately to use authority he already possesses to cut back supplies of heating oil, aviation fuel and petrol reaching distributors from the refinery by between 10 and 25 per cent.

In tactical terms, the Administration still hopes that the Arab oil producers will be encouraged to relax their total oil embargo against the U.S. by the opening of formal Middle East talks next month. So saving it the embarrassing task of taking the specified reprisals Dr. Kissinger, Secretary of State, spoke of at his Press conference last week.

In the meantime, the latest batch of energy restrictions, combined with the President's unexpected appearance on television this evening to announce them, has both underlined the gravity with which the Administration now sees the situation and added to its enemies' belief that it has underestimated the seriousness of the country's position in the past.

Over the past few days, the energy debate in the U.S. has been taking on an increasingly partisan tone. This is perhaps inevitable in a country bitterly divided by the Watergate affair, but it still offers a poor omen for the future, particularly where legislative authority is needed for the conservation measures the Administration proposes.

Over the week-end, for instance, Mr. Carl Albert, Speaker of the House of Representatives, reacted angrily to President Nixon's accusation at his Orlando Press conference that Congress was aggravating the crisis by dragging its feet over the legislation he had proposed.

In a 22-page statement, Mr. Albert accused the Administration of "deceiving the American people with regard to both the severity and the causes of the oil shortage." The Washington Post points out acidly this morning that only one of the seven bills delayed in Congress offers any help at all this winter.

The truth is that neither party wants to accept responsibility for an energy shortage that threatens to produce an economic slowdown next year, as well as discomfort this winter. For President Nixon, the dangers are doubly severe.

In the first place, his latest attempt to convince the public he is innocent of the Watergate charges and will tell all the knowns has had only a limited success. And the general attitude of impatience that persists towards his handling of the crisis so far will not make the public any more understanding about the energy shortage.

Second, the Arab oil embargo is an embarrassing blemish on his foreign policy record, to which he has frequently appealed during the Watergate crisis as evidence that his Administration is still capable of working effectively for world peace.

If the restrictions are not lifted soon, it will be hard to resist the conclusion that the President is missing some good cards, even in his longest suit.

WASHINGTON, Nov. 25.

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TUC chief confident on future of Britain

By Our Labour Staff

CRITICISM OF those who say that Britain is on the brink of economic crisis came last night from Mr. Len Murray, TUC general secretary.

Warning of the danger of talking oneself into a crisis, Mr. Murray asserted that, basically, Britain has a very strong economy indeed.

"We can be confident in our future," he said, adding that the "self-appointed Jeremiahs who preach doom and gloom" are wrong.

Mr. Murray added that all the people wanted was an opportunity to show what they could really do. The Government must not lose its nerve in the face of temporary economic problems.

"Certainly we have economic problems—but they must not be exaggerated," he said. "Why should we get the jitters because we are temporarily importing 3 per cent. or 4 per cent. more than we are exporting?"

Mr. Murray thought it crucial that the Government should give unions and employers enough room to make sensible wage settlements. The miners', ambulance men's, and power engineers' disputes could, he was confident, all be settled on a reasonable basis if the Government would not take "such an intransigent attitude."

"It is to economic expansion that we must look to strengthen our balance of payments and improve our standard of living."

ISLE OF SKYE, Nov. 25.

WHILE there is much in the Highlands and Islands which should be conserved, the Crofters Commission has told the Secretary for Scotland it cannot oppose oil developments on the grounds that the Highlands and Islands should remain as they are for the enjoyment of urban holidaymakers and nature lovers.

This would mean thecrofting population, occupying almost one-quarter of the vast area, having to accept a depressed standard of living or migrating. The commission, with headquarters at Inverness, advises on matters relating to crofting, and submitted its memorandum—North Sea Oil Developments and their possible effects on Crofting—to the Minister before the Drumblair public inquiry began two weeks ago.

Although it sees oil development as an opportunity rather than a danger, the commission is against the Drumblair construction yard for oil production platforms.

We conclude that the time scale is interminable, the construction forces will swamp the existing communities and the prospect of temporary employment for local people would be more than offset by the risk of damage to the tourist industry

metre 101 have not been suspended but are due to resume tomorrow is taken in itself as a good omen.

This is the background to week-end speeches by Gen. Bayan al-Diflani, Minister of Defence, which at first sight seemed to complete victory with the impression prevailing that real progress was being made at Kilometer 101. He described the Egyptian stand as "very inflexible."

"We desire peace, but only a peace which includes the assurance of our survival. I hope that we will achieve both, but should I have to choose between peace without security for our State and security such as the Arabs will refuse to accept, I would choose the latter," he said.

William Duffell cable last night from Cairo: The announcement from Tel Aviv that Israel has agreed in principle to attend a Middle East peace conference on December 15 has eased tension here. It will also strengthen President Awarat's position at the Arab Summit starting in Algiers to-morrow.

The Israeli announcement opens the way for a compromise agreement to-morrow on the key withdrawal issue, which has so far blocked full implementation of the cease-fire agreement.

Egypt has all along insisted that the conference should convene in December, despite Israel's objections that it could make no firm commitments until after the December 31 General Election.

Strike at Shell Italiana over fears of sale

BY ANTHONY ROBINSON

ROME, Nov. 25.

EMPLOYEES AT the Genoa headquarters of Shell Italiana have called a strike to-morrow to try to protect their jobs because they believe there is an agreement to sell control of the company to ENI, the State oil and energy corporation.

There has been no official confirmation from ENI or the State Shareholdings Ministry that the deal has been concluded.

Negotiations for the sale of Shell Italiana began early this summer, following ENI's failure to buy the refineries and service stations of BP Italiana, which went instead to the independent Montedison group.

ENI is particularly interested in gaining control of Shell's three refineries at La Spezia, RHO (Milan), and Taranto, and in obtaining guarantees of future crude oil supplies. The Royal Dutch Shell group is, however, rated in the industry as one of the "crude short" groups.

ENI has been obliged to step up its negotiations for increased crude supplies and refinery capacity in order to fulfil an expanded role as principal energy supplier to the Italian market mapped out for it recently by Italian politicians and economic planners.

Another deal under negotiation concerns Iran, where, in return for further gas and oil

and other permanent sources of employment in the area, ENI is to develop the view.

"This is not development, but the exploitation of local resources and local communities without proper regard to the welfare of those who will suffer the disruption and have the problem of dealing with the aftermath."

The situation might be different, the commission feels, if some assurance was provided that at the end of the day, permanent communities would remain, more viable than those existing.

A sudden influx of skilled labour would be much less damaging socially and culturally than the establishment of retirement and holiday homes, says the commission. Holiday homes create competition for local resources and set a higher standard of earnings and spending with no compensating advantage to the indigenous population, it claims.

The commission has not been represented by the public inquiry, adjourned until December 17, which is considering planning applications by John Mowlem and Co., and Taylor Woodrow Construction for a joint platform yard on tenanted croft land at Drumblair.

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Weather

U.K. TO-DAY

COLD, with frost, night morning. Sunny periods in South, snow showers in Scotland and high ground in Wales and the North.

London, S.E. and Central England, Midlands. Mainly dry, sunny periods. Wind N.W., moderate. Max. (45F).

E. and N.E. England, E. Angles, Borders, Edinburgh and Glasgow, Scotland. Sunny intervals, occasional snow showers. Wind N., fresh. Max. 37F.

Sunny periods, occasional showers. Wind N.W., moderate. High Max. 70C (45F).

Aberdeen, Central Highlands, Moray Firth, Caithness, N. Scotland, Orkney, Shetland. Sunny intervals, occasional snow showers. Wind N., fresh. Max. 37F.

Outlook: Mainly cold, bright with widespread rain or frost.

Lighting-up: London, Manchester 16.29, Glasgow 16.38, Belfast 16.38.

BUSINESS CENTRES

City	Day	Time
Alexandria	10	10.00
Amman	10	10.00
Baghdad	10	10.00
Bombay	10	10.00
Calcutta	10	10.00
Cairo	10	10.00
Colon	10	10.00
Cyprus	10	10.00
Dubai	10	10.00
Geneva	10	10.00
Hong Kong	10	10.00
India	10	10.00
Japan	10	10.00
London	10	10.00
Lyons	10	10.00
Manila	10	10.00
Medan	10	10.00
Paris	10	10.00
Rangoon	10	10.00
Seoul	10	10.00
Singapore	10	10.00
Taipei	10	10.00
Tokyo	10	10.00
Yokohama	10	10.00

HOLIDAY RESORTS

City	Day	Time
Alexandria	10	10.00
Amman	10	10.00
Baghdad	10	10.00
Bombay	10	10.00
Calcutta	10	10.00
Cairo	10	10.00
Colon	10	10.00
Cyprus	10	10.00
Dubai	10	10.00
Geneva	10	10.00
Hong Kong	10	10.00
India	10	10.00
Japan	10	10.00
London	10	10.00
Lyons	10	10.00
Manila	10	10.00
Medan	10	10.00
Paris	10	10.00
Rangoon	10	10.00
Seoul	10	10.00
Singapore	10	10.00
Taipei	10	10.00
Tokyo	10	10.00
Yokohama	10	10.00

New Bristol air services

NEW SERVICES will be operated from Bristol Airport in the autumn of 1974.

On three days a week there will be flights between Bristol and Amsterdam. They will be operated by Dan-Air, using a 45-seat Hawker Siddeley aircraft. Single fares are expected to be over £22.

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